

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/8)**

**BUTTER:** Grade AA closed at \$1.6050. The weekly average for Grade AA is \$1.6883 (-.1000).

**CHEESE:** Barrels closed at \$1.3150 and blocks at \$1.3725. The weekly average for barrels is \$1.4255 (-.0620) and blocks, \$1.4815 (-.0940).

**NONFAT DRY MILK:** Extra Grade closed at \$0.8500 and Grade A at \$0.8500. The weekly average for both Extra Grade and Grade A is \$0.8500 (N.C.).

**BUTTER:** The butter market is weak. The current weak trend at the CME has producers, handlers, and traders questioning where is this market headed. Some buyers are exercising hesitancy in placing orders, especially for near term use, due to the weak price trend. Although current orders are slower, yearend holiday orders appear to be strong. Stocks of butter are running less than half of last year at this time. Churning activity is seasonally active. Cream supplies are somewhat more available as ice cream production declines and other Class II cream based product production schedules, though increasing, are not pulling large cream volumes as of yet.

**CHEESE:** The cheese market is weak and prices have declined dramatically from last week. Some buyers had been limiting purchases to short term needs in the hope of weakness. Current cheese demand is uneven though best for non-cheddar natural varieties. Process interest continues to slow seasonally. Current cheese production remains heavier than expected in many areas due to higher milk intakes and/or better yields. Cumulative 2004 January - August U.S. cheddar production, adjusting February to 28 days, totals 1.862 billion pounds, up 1.8 million pounds (0.1%) from the same period in 2003. The adjusted 2004 total cheese output totals 5.838 billion pounds, up 157.6 million pounds (2.8%) from a year ago.

**FLUID MILK:** Milk production patterns across the country are basically dependent on weather conditions. In the Northeast, warm days and cool nights are providing nearly ideal milk production conditions. Demand for milk remains strong as Class I demand is strong for first of the month bottling needs and shipments to the southeast keep milk supplies in close balance. In the Southeast and Florida, milk producers and dairy plants continue to work on getting back to pre-hurricane schedules. A few dairy operations in Florida are still not back in production, thus the milk herds are still dispersed to surrounding dairies. Most bottling operations are back in production and continue to fill the pipelines. Shipments of milk into Florida were quite heavy this week with 241 loads of additional milk entering the state from outside sources. In the Central part of the county, milk production patterns are following seasonal trends and edging lower. In New Mexico, rainy conditions are impacting milk production, but the entire impact has not been determined. Arizona milk intakes are generally higher than projected and being helped by more moderate daytime highs and lower nighttime temperatures. In California, milk production is building slightly higher each week at levels noticeably above a year ago, when conditions were less favorable. Fluid milk sales in California are holding steady as fall buying patterns have been established. Milk output in the Northwest is

following typical early fall trends. Some manufacturing plants are looking for additional milk volumes while others are in balance. Cream markets from coast to coast are becoming more unsettled and are reflective of recent price gyrations at the cash CME butter market. Pricing multiples are often being pressured lower dependent on class usage and basing point.

**DRY PRODUCTS:** Nonfat dry milk markets across the country are generally steady at unchanged prices, although some Western prices are reflective of lower adjustments. Production levels are mixed from coast to coast, but many are trending higher dependent on milk availability. In most instances, powder is being made to order, although powder continues to clear to CCC from all regions. Often, domestic buyers continue to find resale powder that has entered the market from various government programs to be better priced. Buttermilk powder markets are basically steady at unchanged prices. Supplies are mixed with some plants holding heavier than desired stocks whereas others are reportedly in balance. Demand is slow to fair and generally centers around contractual commitments. Whey powder markets are steady to firm with prices generally higher across the country. Whey stocks are in better balance at many locations. Additional milk supplies are often around, but some cheese plants are hesitant to make cheese under current weak price trends. The whey protein market is basically steady at unchanged prices. Overall, stock availability is light for the mostly contractual trade.

**CCC:** For the period of October 1 - 8, CCC purchases total 7,288,242 pounds of NDM; 999,996 pounds from the Central region, 339,102 pounds from the East, and 5,949,144 pounds from the West. Of the total, 1,308,481 pounds were purchased under invitation 080 to Announcement FMP1 with 5,979,761 pounds purchased under the support program.

**AUGUST DAIRY PRODUCTS HIGHLIGHTS:** Butter production was 88.9 million pounds during August, 25.4% more than August 2003 but 2.5% below July 2004. American type cheese production totaled 296.6 million pounds, 0.8% below August 2003 and 2.0% below last month. Total cheese output (excluding cottage cheese) was 712.2 million pounds, 1.7% heavier than last August and 0.6% above last month. Current monthly dry dairy product output and the comparison to August 2003 are as follows: human food NDM, 114.3 million pounds, up 6.8%; dry whole milk 3.1 million pounds, up 18.8%; dry buttermilk 3.3 million pounds, up 34.2%; human food quality dry whey 78.9 million pounds, down 3.8%.

**AUGUST FLUID MILK SALES (AMS & CDFA):** During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.2% lower than August 2003. After adjusting for calendar composition, sales in August 2004 were 1.2% lower than August 2003. On an individual product basis, after adjusting for calendar composition, sales of fat-free (skim) milk and flavored fat-reduced milk increased from August 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, and buttermilk decreased from a year earlier.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY OCTOBER 4	TUESDAY OCTOBER 5	WEDNESDAY OCTOBER 6	THURSDAY OCTOBER 7	FRIDAY OCTOBER 8	WEEKLY CHANGE*	WEEKLY AVERAGE#
<b>CHEESE</b>							
BARRELS	\$1.5450 (+.1125)	\$1.5475 (+.0025)	\$1.3900 (-.1575)	\$1.3300 (-.0600)	\$1.3150 (-.0150)	(-.1175)	\$1.4255 (-.0620)
40# BLOCKS	\$1.5825 (-.0025)	\$1.5825 (N.C.)	\$1.4950 (-.0875)	\$1.3750 (-.1200)	\$1.3725 (-.0025)	(-.2125)	\$1.4815 (-.0940)
<b>NONFAT DRY MILK</b>							
EXTRA GRADE	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
GRADE A	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	\$.8500 (N.C.)	(N.C.)	\$.8500 (N.C.)
<b>BUTTER</b>							
GRADE AA	\$1.7600 (-.0100)	----	\$1.7000 (-.0600)	----	\$1.6050 (-.0950)	(-.1650)	\$1.6883 (-.1000)

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*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

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 4, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.5450, 1 @ \$1.4900; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5825  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 6 CARS GRADE AA: 3 @ \$1.7500, 1 @ \$1.7600, 1 @ \$1.7525, 1 @ \$1.7600; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.7550; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.7600, 1 @ \$1.7700

TUESDAY, OCTOBER 5, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5475; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5825  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, OCTOBER 6, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3900; 4 CARS 40# BLOCKS: 1 @ \$1.4950, 1 @ \$1.5450, 1 @ \$1.5800, 1 @ \$1.5825  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 24 CARS GRADE AA: 1 @ \$1.7350, 2 @ \$1.7300, 1 @ \$1.7200, 3 @ \$1.7000, 1 @ \$1.6975, 1 @ \$1.6950, 1 @ \$1.6975, 6 @ \$1.7000, 1 @ \$1.7025, 1 @ \$1.7050, 1 @ \$1.7125, 1 @ \$1.7100, 1 @ \$1.7075, 1 @ \$1.7000, 1 @ \$1.7025, 1 @ \$1.7000; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.6700, 2 @ \$1.6600; OFFERS UNCOVERED: 7 CARS GRADE AA: 1 @ \$1.7200, 2 @ \$1.7300, 1 @ \$1.7350, 1 @ \$1.7500, 2 @ \$1.7600

THURSDAY, OCTOBER 7, 2004

CHEESE — SALES: 5 CARS BARRELS: 1 @ \$1.3900, 1 @ \$1.4000, 1 @ \$1.3850, 1 @ \$1.3500, 1 @ \$1.3300; 1 CAR 40# BLOCKS @ \$1.3800; BIDS UNFILLED: 2 CARS BARRELS @ \$1.3000; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.3300, 1 @ \$1.3350, 1 @ \$1.3850; 5 CARS 40# BLOCKS: 1 @ \$1.3750, 1 @ \$1.3775, 1 @ \$1.3900, 1 @ \$1.4000, 1 @ \$1.4500  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, OCTOBER 8, 2004

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.3175, 1 @ \$1.3150; 5 CARS 40#BLOCKS: 1 @ \$1.3725, 1 @ \$1.3700, 1 @ \$1.3725, 1 @ \$1.3675, 1 @ \$1.3725; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.3750  
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER — SALES: 7 CARS GRADE AA: 1 @ \$1.6575, 2 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6050; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.6000; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.6050, 1 @ \$1.6600, 2 @ \$1.6750

BUTTER MARKETS

AUGUST BUTTER PRODUCTION

During August 2004, butter production in the United States totaled 88.9 million pounds, 2.5% less than August 2003 but 25.4% more than July 2004. The following are August to August changes for various states: CA +39.0%, NY -30.4%, PA -18.5% and WI +45.8%.

NORTHEAST

The market tone remains unsettled. At the CME, the cash butter price continues to seek direction. After increasing the first two sessions last week, the CME cash butter price (through 10/4) settled lower in the next two sessions. Churning activity in the East is light to moderate. Excess cream offerings range from light to heavy during the course of most weeks. Some butter operations continue to churn a few days a week and microfix bulk the remainder of the week. Packaged butter demand is reported as improving now that retailers are preparing for Thanksgiving features. Food service orders are mostly steady. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

CENTRAL

Butter markets are weak as the cash price at the CME dipped to \$1.7000 at midweek. The current cash price is the lowest butter has been since the first of September. The current cash price compares to \$1.1700 last year at this time and \$1.0025 in early October 2002. Producers and handlers have mixed opinions as to the direction of current or near term markets. Again, some feel that the weakness in the cash price is not supply/demand driven and anticipate the price to regain recent losses. Cream supplies are reported to be more available as demand for some cream based products, especially ice cream, tapers off seasonally. In many instances, butter producers are taking advantage of the additional cream offerings in hopes of gainingsome additional inventory before the heavier yearend holiday demand.

Orders are developing quite well for the upcoming Thanksgiving holiday with Christmas/New Years orders equally positive. Most producers and handlers indicate that these orders are positive, although many also state that they would be stronger if inventories and stocks were in better supply. Most current or near term orders are seasonally steady with most sales activity centering around future holiday needs. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Cash CME butter prices continue to search for direction, but have fallen by 11 1/2 cents in the last three trading sessions. Some buyers are hesitant to place some fall orders because they think prices may move lower in the short run. Other end users are looking at inventory levels and are taking shipments now to make sure that they are able to cover needs. Cream supplies are more available, but some manufacturing plants are hoping that cream prices may fall in the near future. Some churns are stating that they are delaying some shipments because they don't have the supplies. U.S. butter production in August was 88.9 million pounds, up 25.4% (+18.0 million pounds) from a year earlier. Cumulative butter output for the first 8 months of the year totals 814.6 million pounds, down 6.3% (54.7 million pounds) from the same period in 2003. Output has been catching up the last few months. Quota imports of butter for the same 8 month period total 11.9 million pounds, ahead of last year at this time and at 77% of the annual volume. High-tier imports for the 8 month period total 17.3 million pounds, up substantially from a year earlier. Weekly CME warehouse stocks decreased by 3.4 million pounds to stand at 61.1 million pounds. Stocks have declined by 33 million pounds in the last five weeks. Last year, stocks were 134.8 million pounds for the same week. Bulk butter prices range from 1 to 4.5 cents under, 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			
OCTOBER 2	1,5559	1,5332	0.8618	1.7883	0.2192
	8,372,484	10,019,798	22,484,852	3,489,190	11,369,144

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 mixed, fractionally higher on natural items and lower on process items. The market tone is unsettled. Prices at the CME have moved higher and lower on barrels while the 40# block price increased last week after holding steady since the first week of September. Cheese production in the Northeast is steady at moderate levels. Some cheese operations would like more milk to process, but others appear happy to maintain current output levels. The plant that suspended operations during September for renovations and equipment changes is still on a limited production schedule. Demand for cheese is holding about steady. Retail sales are fair to improved, but still hampered by the high prices. Food service orders are about steady.

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

Cheddar 10# Prints	:	1.6450-2.1600
Cheddar Single Daisies	:	1.6025-2.0775
Cheddar 40# Block	:	1.7175-1.9775
Process 5# Loaf	:	1.6975-1.9050
Process 5# Sliced	:	1.7175-1.9575
Muenster	:	1.8175-2.0200
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled. Recent sharp declines followed by sizeable increases in the barrel price at the Chicago Mercantile Exchange have caused uneasiness in the market. Natural interest is moderate to good overall with most cutters and shredders busy, but not overwhelmed with orders with some overtime needed. Natural supplies are fairly close to in balance with bulk lead times about normal. Process movement continues to ease lower for many operations. Barrel demand is fairly steady with a few production cutbacks causing processors to work down their inventory. Packaging and shipping of holiday items is well underway. Mozzarella interest is spotty but fairly good overall. Aged cheddar interest is picking up. Aged offerings are somewhat limited, particularly from earlier in the year when some volumes were "cashed out early" due to the high market prices. Cheese production is somewhat mixed due to available milk supplies which range from slightly higher to often slightly lower. Fat and protein levels are higher than usual for early October on incoming milk volumes. This continues to generate a little extra cheese with each vat.

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

Process American 5# Loaf	:	1.6675-2.0000
Brick And/Or Muenster 5#	:	1.9800-2.2325
Cheddar 40# Block	:	1.8800-2.2650
Monterey Jack 10#	:	1.8600-2.2650
Blue 5#	:	2.3275-2.7000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8750-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

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

	BUTTER	:	CHEESE
10/04/04	32,901	:	132,114
09/01/04	51,130	:	138,355
CHANGE	-18,229	:	-6,241
% CHANGE	-36	:	-5

WEST

Cheese buyers are watching with interest the various gyrations in pricing at the cash CME market. Block prices have not been this low (\$1.4950) since July 27 and barrels have not been this low (\$1.39) since July 13. Buyers generally need to continue making regular purchases to be able to cover normal fall needs. Current offerings of cheese are available to cover demand. Aged cheese supplies will be tight all through the fall season because of very high spring time prices. Process cheese demand is fair at best with some resistance noted. Swiss demand is seasonally good. U.S. total cheese production in August is 712.2 million pounds, up 1.7% from a year earlier. Cumulative total cheese output for the first 8 months of the year is 5.86 billion pounds, up 3.2% (181.9 million pounds) from the same period in 2003. Swiss output totals 22.7 million pounds, up 8.6% from a year ago. Total quota imports of cheese for the first 8 months of the year are 178.3 million pounds, up 11% from the same period in 2003 and 60% of the annual total. High-tier imports of cheese for the same period total 33.1 million pounds, +9% from 2003.

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

Process 5# Loaf	:	1.6400-1.9000
Cheddar 40# Block	:	1.6950-2.0475
Cheddar 10# Cuts	:	1.8750-2.0950
Monterey Jack 10#	:	1.8850-2.0450
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

FOREIGN

Prices are unchanged to fractionally higher on domestic styles. Supplies of most imported and foreign-type cheese are adequate to meet current needs. According to the most recent import reports, cheese subject to licensing during the first eight months of 2004 totaled 80.89 million Kg, 10.9% more than the same period last year. The 80.89 million Kg represents about 60.0% of the annual tariff-rate quota for cheese. For the same period, imports of cheese in the high-tier category totaled 15.0 million KG, 9.2% more than the same period last year.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
Roquefort	:	TFEWR	: -0-
Blue	:	2.6400-4.2500	: 1.9400-3.4300*
Gorgonzola	:	3.6900-5.9400	: 2.4450-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.3500-3.4600*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5500	: 1.9525-2.1750*
Romano (Cows Milk)	:	-0-	: 3.1350-5.3100*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	2.9500-4.0900	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:	:	:
2 Pound	:	TFEWR	: -0-
4 Pound	:	2.1900-3.4500	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	: -0-

\* = Price change.

FLUID MILK AND CREAM

EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	241	0	140	0	201	0
SOUTHEAST STATES	23	0	40	0	40	0

Milk production patterns in the Northeast continue to follow trends of recent weeks. Warm days and cool nights are nearly ideal milk production conditions, although production is steady to slightly lower. Milk volumes are sufficient to maintain steady manufacturing and bottling schedules, although the draw of milk into the Southeast continues to cause some unsettledness for plant managers and milk handlers. Milk handlers indicate that this is the time of year when schools will be recessing for fall breaks, thus school bottling demand throughout the Northeast and Southeast will be erratic for the next two to three weeks. Florida continues to recover from the hurricane destruction of the past few months. Dairies and bottling plants continue to make repairs so that production and processing schedules can return to normal. Many operations are at this point, but milk production is not recovering as rapidly as many producers and handlers had anticipated. In many areas, water and wet conditions continue to stress the milking herd which is slowing production recovery. Milk volumes remain short of needs in Florida, thus imports continue. Last week, 140 loads of milk entered the state with 241 loads entering the state this week. The increased demand caused milk to move from greater distances in recent days. Trucking continues to be a problem in the southeast. Cream markets are less aggressive than they have been over recent weeks. Ice cream production continues to decline seasonally thus the lighter pull from these operations is providing additional volumes for other cream based products. Pricing multiples through late last week remained firm, although they have dropped somewhat and are expected to decline further as volumes become harder to clear. Cream entering butter operations remains active, although some butter producers are less willing to take full advantage of current offerings. Condensed skim markets are quiet at basically unchanged prices.

operations are well underway. Many late planted fields of corn and beans that froze recently still need time to field dry before harvest.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 30 - OCT 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 52.00- 57.50	\$ 43.00- 47.50
REPLACEMENT HEIFER CALVES	\$400.00-680.00	\$380.00-500.00

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

	SEP 30 - OCT 6	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 61.00	\$ 46.00- 49.50

WEST

The September 4a price (butter/powder) in CALIFORNIA is \$12.65, \$.74 higher than August and \$2.77 higher than last year. This compares to the Federal Order Class IV price for September at \$13.00. The September 4b price (cheese) is \$14.03, up 2 cents from August but \$.11 lower than last year. This compares to the Federal Order Class III price for September at \$14.72. Milk production in CALIFORNIA is building slightly higher each week at levels noticeably above a year ago, when conditions were less favorable. The weather has been very kind to milk cows and the response in milk production has been noticed. Solids in incoming milk are showing only limited improvements. There are more concerns about declining commodity prices and what that means for production schedules. Milk orders from cheese producers are being lowered with many plants down for a day or so in the coming week. Fluid milk sales are holding steady as fall buying patterns have been established. ARIZONA milk intakes are generally higher than projected and being helped by more moderate daytime highs and lower nighttime temperatures. Some effects of recent rains are noticed after storms, but no lingering effects are noticed. Plants have processing room. Changes are minimal in bottlers' orders. Rainy conditions over much of NEW MEXICO are impacting milk production, but the entire extent has not been determined. There could be additional problems with SCC's and output in coming weeks. Milk movements to local and out of region accounts continue, but schedules are lighter to the Southeast. The last alfalfa cuttings and harvesting have been affected by the wet conditions. CREAM markets are becoming more unsettled and reflect recent gyrations and now lower prices at the CME cash butter market where the Grade AA butter price closed at \$1.70 on Wednesday, October 6, declining 11.5 cents from last week. Cream was more available than in recent weeks with more moving to butter churns. Orders from cream cheese and sour cream producers are active. Some buyers are pressing to get lower prices as their basing price is above the current butter price. Multiples have been pressured lower and trade from 117 to 130, FOB and vary depending on class usage and basing point. Parts of the PACIFIC NORTHWEST are indicating that fall weather patterns are now the norm for the region. The majority of the corn silage for feed has been put up. Yields and quality are both being rated as good. The last cutting of hay has been finished and demand is strong and prices are higher. Indications are that dairy quality hay will be in tight supply this winter. Springing heifer prices at the monthly sale in Washington were steady to firm ranging from \$1900-2125. The volume sold was almost double for the same sale last year and higher than at any time since last April. Some plants in the region are looking for additional supplies of milk while others are reporting a balanced supply. Some producers are reporting lower milk volumes due to poor quality forage. Weather conditions in UTAH and IDAHO are warm and dry. Any fall harvesting or field work is being completed in a timely fashion. Yields on the final cutting of hay are very light due to limited water supplies, but the quality is good. Dairy quality hay is in tight supply. Some manufacturing plants are buying milk on the outside because of good end product sales. Tests on incoming milk receipts are average to a bit higher. Heifer prices at two different sales in the region last week indicate that the market remains firm. Top end prices at the sales ranged from \$2050-2160 while the average ranged from about \$1675-1900.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2890-2.5036
DELIVERED EQUIVALENT ATLANTA	-	2.3427-2.5394 M 2.3784-2.4679
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.3248-2.5036

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9150- .9600
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.0500

MIDWEST

Class I interest was steady to slightly improved, aided by the usually stronger beginning of the month retail demand. Bulk milk shipments into the Southeast remain at least steady with recent weeks. Manufacturing milk interest remained good though tempered at midweek by the sharp decline in the cash cheese and butter prices at the Chicago Mercantile Exchange. Spot manufacturing milk prices are about steady though interest is limited for any loads priced at the upper end of the range. Reported prices range from \$2.00 - 4.00 net fob over class with the bulk moving within \$1.00 of the low end of the range. Spot milk offerings remain limited and more commonly available on weekends. Condensed skim remains good for classes other than III due to the continued sharply lower price spread of NDM. Cream interest remains good with even a spurt in demand from an ice cream manufacturer. Current plant milk intakes are generally trending lower seasonally. Fat and protein levels seem to be increasing slightly from already good seasonal levels. Also, for most locations in the upper tier of states, milk quality (somatic cell counts) has been especially good so far this year. Fall harvest and, to a more limited degree, tillage

**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 in response to milk production increases in some regions. Available spot supplies from manufacturers are limited despite continued sales of Central region NDM to the government at the support price of 80 cents. Supplies of CCC NDM from exchange programs are decreasing, especially on stocks more than 1 year old. Offers of NDM from the West are noted at a premium to the market despite sales to the CCC in this region as well. High heat demand is good and seasonal. Western off grade supplies of NDM are available to Central region feed producers for the fair interest.

**EAST:** Prices are generally unchanged. Powder production continues to occur in the Eastern part of the country, although this production is not as active as it has been in recent weeks. Stronger Class I demand and heavier shipments into the Southeast are limiting milk volumes for drying. Milk shipments into the Southeast, especially Florida, have increased sharply in comparison to recent weeks, thus less milk is looking for a manufacturing facility. During the past few weeks, milk destined for areas of the Southeast has been delayed or completely diverted due to the adverse weather conditions, thus some powder plants in the Northeast were actively drying. Last week, for the first time since February, some NDM was offered to the CCC and offerings continue this week. Demand for powder is fair and mostly contractual. Most spot sales of low heat powder are being filled from the resale market with powder that came onto the market from government programs. Medium heat powder continues to clear to export markets, but this activity is coming to an end. High heat demand is steady.

**DAIRY PRODUCTS:** Production of human food, nonfat dry milk during August 2004 totaled 114.3 million pounds, up 6.8% from August 2003 but 14.7% below July 2004. Month ending stocks, at 147.1 million pounds, are 104.5% above a year ago but 8.7% below last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .9400 MOSTLY: .8100 - .8500  
 HIGHHEAT: .9200 - 1.0300

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices moved slightly lower on the top end of the mostly range and reflect pricing adjustments. The market tone is split with a fair to good tone with prices at the top end of the range for export sales, but weaker at lower prices for domestic and CCC sales. Production levels are moving higher seasonally and are above year ago levels. Cheese producers are only buying limited amounts of NDM as cheese prices decline and producers use, sell, or hold onto their own NDM stocks. During the period of September 27-30, Western CCC support price offerings totaled 2,291,152 pounds of NDM. During the fiscal year 2003/2004 (October 1, 2003 to September 30, 2004), CCC offerings from the West totaled 348,713,202 pounds of NDM for both support and export programs. This is 96% of the U.S. total of 362,066,151 pounds. Total FY 2002/2003 NDM purchases were 624,592,034 pounds. High heat prices are lower as price adjustments are made to keep levels in line. Sales are light to moderate. Production schedules are moderate with most product being made to order. U.S. NDM production in August totaled 114.3 million pounds, up 6.8% from last year but 14.7% lower than July. Cumulative yearly production through August totals 1.03 billion pounds, 8.9% (101.1 million pounds) lower than the same period in 2003. August production in the Western region totaled 88.5 million pounds, down 4.2% from last year. California produced 64.2 million pounds, up 12.4% from August 2003. U.S. manufacturers' stocks at the end of August were reported at 147.1 million pounds, up double the volume from last year but 8.7% less than last month.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7950 - .9000 MOSTLY: .8000 - .8750  
 HIGHHEAT: .8400 - .9100

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
October 1	\$.8539	13,660,635	2,009,443
September 24	\$.8472	12,781,946	Not available

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 weak market. Supplies are mixed with some plants holding heavier than desired stocks whereas others are reportedly in balance. Offering prices are predominantly noted at the average or lower for the light interest. Producers are hesitant to discount prices further as reducing prices may not increase demand. Supplies of NDM trading below the buttermilk market remain a suggested factor in reduced dry buttermilk interest. Condensed buttermilk supplies are readily available for the light interest. Production of dry buttermilk during August 2004 totaled 3.3 million pounds, 34.2% more than August 2003 but 13.4% below July 2004. Month ending stocks, at 5.6 million pounds, are 147.6% above a year ago but 1.3% lower than July 2004.

F.O.B. CENTRAL: .9000 - 1.0100

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices and the market tone are generally steady. Demand is slow to fair and generally centers around contractual commitments. Current production depends on churning activity in the Northeast. In recent days, cream has been more available and churning at some locations is more active, thus heavier buttermilk offerings. Dry buttermilk production during August 2004 totaled 3.3 million pounds, up 34.2% from last August but 13.4% less than July 2004. Month ending stocks, at 5.6 million pounds, are more than double last year but 1.3% less than a month ago.

F.O.B. NORTHEAST: 1.0000 - 1.0200  
 DELVDSOUTHEAST: 1.0100 - 1.0600

**DRY BUTTERMILK - WEST**

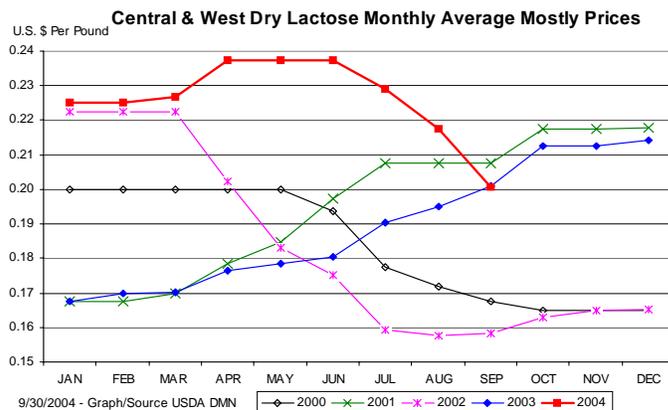
Western dry buttermilk prices are unchanged in a lightly test market. The tone continues to be unsettled. Lower priced buttermilk in the Midwest and the usage of cheaper NDM remain competition for current production but local producers are not changing prices. Stocks are available from most suppliers. U.S. dry buttermilk production in August totaled 3.3 million pounds, up 34.2% from last year but 13.4% lower than July. Stocks at the end of August were reported at 5.6 million pounds, 2 1/2 times higher compared to a year ago but 1.3% less than last month.

F.O.B. WEST: 1.0200 - 1.0700 MOSTLY: 1.0300 - 1.0500

**DRY WHOLE MILK - NATIONAL**

Whole milk powder markets are steady to firm. Prices are unchanged to higher. Demand continues to center around contractual commitments. Production levels are light and plant stocks are closely balanced. Dry whole milk production during August 2004 totaled 3.1 million pounds, up 18.8% from last August and 30.7% more than July 2004.

F.O.B. PRODUCING PLANT: 1.2825 - 1.3900



**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 continues to be very light. Traders state that export movement from the Central region is difficult compared to the West. Inquiries for whey are noted from South America. Some spot movement is noted into food operations for the seasonal holiday interest. Resale trade is generally at a premium. Discussions on whey contracts for 2005 are commencing. Production of human food, dry whey during August 2004 totaled 78.9 million pounds, 3.8% less than August 2003 but 1.4% above July 2004. Month ending stocks, at 37.4 million pounds, are 7.6% below a year ago but 1.6% more than July 2004.

F.O.B. CENTRAL: .2200 - .2400 MOSTLY: .2200 - .2300

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are nominal and higher on a steady to firm market. Buyer interest continues to develop for the limited amount of whey that is available on the spot market. Production levels are generally lighter than desired. Most Eastern producers are sold out for the balance of the year. Production of human food, dry whey during August 2004 totaled 78.9 million pounds, 3.8% less than August 2003 but 1.4% more than July 2004. Month ending stocks, at 37.4 million pounds, are 7.6% below last year but 1.6% more than a month ago. Production of animal feed, dry whey during August totaled 6.6 million pounds, 17.7% more than a year ago and 9.6% above June 2004.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2250 - .2600  
DELVD SOUTHEAST: .2500 - .2575

**DRY WHEY - WEST**

Both the range and mostly prices are showing some strength for Western whey powder. Activity is improving for both domestic and export sales. Some additional milk supplies are around, but some cheese plants are not sure they want to make extra product at this time. Whey stocks are in better balance at most locations. August edible whey production for the U.S. totals 78.9 million pounds, down 3.8% from a year ago. Stocks at the end of August total 37.4 million pounds, down 7.6% from August 2003. Production in the Western region in August totals 25.2 million pounds, up 9.3% from a year ago. The West produces about 32% of the U.S. whey supply. Cumulative U.S. total whey production for the first eight months of 2004 stands at 703.4 million pounds, down 5.5% from the same period in 2003.

NONHYGROSCOPIC: .2100 - .2500 MOSTLY: .2200 - .2300

**ANIMAL FEED WHEY - CENTRAL**

Prices are trending higher on a steady to firm market. Trade activity is light due to limited supply availability, encouraging buyers to seek additional supplies in the Extra Grade market. Production of animal, dry whey during August 2004 totaled 6.6 million pounds, 17.7% more than August 2003 and 9.6% above July 2004. Month ending stocks, at 5.2 million pounds, are 78.6% higher than year ago and 1.0% more than July 2004. Veal prices are trending higher while early weaned pig prices are steady to lower.

F.O.B. CENTRAL:  
MILK REPLACER: .1850 - .2150

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are generally unchanged on a steady market. Trades direct from the manufacturer or via the resale market are light. Some export movement is noted into Asia, Mexico and South America. Most trade is contractual. Feed buyers are looking for additional loads in response to increased demand for milk replacer products. Offers of Australian high protein or resale 34% WPC from domestic or Canadian sources are available to some feed manufacturers. Off grade trade is good at prices that vary with respect to quality. Production of HUMAN FOOD WPC during August 2004 totaled 23.9 million pounds, unchanged from August 2003 but 4.3% below July 2004. Manufacturers' end-of-month stocks totaled 22.2 million pounds, 12.9% lower than a year ago but 0.6% above last month. Production of ANIMAL FEED WPC during August 2004 totaled 4.1 million pounds, up 15.0% from August 2003 and 13.2% above July 2004. Manufacturers' end-of-month stocks totaled 2.2 million pounds, 43.8% above last year but 8.1% lower than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5700 - .6400 MOSTLY: .5975 - .6225

**LACTOSE - CENTRAL AND WEST**

Prices are lower on a weak market. Most fourth quarter contracts are finalized at lower prices. Some contracts into Asia remain to be settled. Western lactose supplies continue to be offered to traders and feed buyers in the Midwest. Feed interest in lactose is improving as supplies of permeate and whey are reportedly less available. Edible interest is fair and mostly contractual.

Lactose production during August 2004 totaled 54.5 million pounds, up 14.9% from August 2003 but 2.4% lower than July 2004. Month ending stocks, at 67.0 million pounds, are 79.3% higher than a year ago and 4.1% above last month.

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

F.O.B. EDIBLE: .1700 - .2400 MOSTLY: .1800 - .2000

**CASEIN - NATIONAL**

Casein markets and prices remain firm. The recent manufacturing allowance adjustment in Europe is causing some manufacturers to adjust their prices higher. This European adjustment will further strengthen prices domestic buyers will be paying in the future. Stocks remain in very close balance and, in most cases, short of full need. The government continues to sell powder back to the trade for the production of casein/caseinate. Under invitation #029, nearly 2.3 million pounds of government owned non fat dry milk were sold for this purpose at a price range of \$0.3410 - 0.4050 per pound. Under invitation #030, CCC offers for sale approximately 8 million pounds of government owned NDM for the production of casein/caseinate. Bids are due on Tuesday, October 12 with public release of awards on Thursday, October 14.

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: 2.7500 - 3.0000  
ACID: 2.8000 - 3.0000

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production levels are somewhat lighter in the East as milk volumes continue to clear to the Southeast while output is steady in the West. Stocks of evaporated milk are sufficient for current needs. Retailers continue to place orders for the upcoming yearend holidays. Canned evaporated milk production during August totaled 37.8 million pounds, 15.5% less than August 2003 and 21.8% less than July 2004. Month ending stocks, at 85.5 million pounds, are 3.6% less than a year ago but 4.2% above last month.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

**AUGUST 2004 DAIRY PRODUCTS HIGHLIGHTS**

**BUTTER** production was 88.9 million pounds in August, 25.4 percent above August 2003 but 2.5 percent below July 2004. **AMERICAN TYPE CHEESE** production totaled 296.6 million pounds, 0.8 percent below August 2003 and 2.0 percent below July 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 712.2 million pounds, 1.7 percent above August 2003 and 0.6 percent above July 2004. **NONFAT DRY MILK** production, for human food, totaled 114.3 million pounds, 6.8 percent above August 2003 but 14.7 percent below July 2004. **DRY WHEY** production, for human food, was 78.9 million pounds, 3.8 percent below August 2003 but 1.4 percent above July 2004. **ICE CREAM** (hard) production totaled 73.7 million gallons, 4.7 percent below August 2003 and 6.4 percent below July 2004.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	AUG 2004	PERCENT CHANGE FROM:			PRODUCT	AUG 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	AUG 2003	JUL 2004	YEAR TO DATE 1/		1,000 LBS.	AUG 2003	JUL 2004	YEAR TO DATE 1/
BUTTER	88,908	25.4	-2.5	-6.3	SOUR CREAM	80,327	0.3	7.1	
CHEESE					YOGURT (PLAIN AND FLAVORED)	227,310	6.2	9.7	---
AMERICAN TYPES 2/	296,591	-0.8	-2.0	1.9	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	212,444	-4.8	-2.7	0.5	SWEET-TYPE, HUMAN FOOD	7,007	-23.9	-8.4	---
SWISS	22,657	8.6	-1.1	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,783	-0.8	3.0	---	DRY WHEY, HUMAN FOOD	78,938	-3.8	1.4	---
CREAM & NEUFCHATEL	58,000	5.9	7.0	---	DRY WHEY, ANIMAL FEED	6,590	17.7	9.6	---
HISPANIC	10,737	0.2	-2.3	---	DRY WHEY, TOTAL	85,528	-2.4	2.0	-5.5
MOZZARELLA	231,904	-0.3	1.8	3.6	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	63,259	12.4	4.1	5.6	HUMAN FOOD	3,424	-12.3	-10.7	---
TOTAL ITALIAN TYPES	295,163	2.2	2.3	4.0	ANIMAL FEED 7/	3,744	20.2	2.5	---
ALL OTHER TYPES	22,219	16.6	1.5	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	54,500	14.9	-2.4	---
TOTAL	712,150	1.7	0.6	3.2	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	38,780	-3.3	5.1	---	HUMAN FOOD	23,938	---	-4.3	---
COTTAGE CHEESE, CREAM 4/	33,004	-3.4	0.9	-2.0	ANIMAL FEED	4,064	15.0	13.2	---
COTTAGE CHEESE, LOWFAT 5/	32,719	-1.4	0.5	3.9					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	37,778	-15.5	-21.8	---	ICE CREAM (HARD)	73,739	-4.7	-6.4	-5.4
DRY WHOLE MILK	3,111	18.8	30.7	---	ICE CREAM, LOWFAT (HARD)	9,647	11.2	-6.7	---
NONFAT DRY MILK, HUMAN FOOD	114,339	6.8	-14.7	-8.9	ICE CREAM, LOWFAT (SOFT)	29,086	17.2	-8.5	---
DRY SKIM MILK, ANIMAL FEED	512	12.5	-10.8	---	ICE CREAM, LOWFAT (TOTAL)	38,733	15.6	-8.0	15.1
DRY BUTTERMILK	3,275	34.2	-13.4	---	SHERBET (HARD)	4,618	1.4	-1.6	0.9
					YOGURT (TOTAL)	6,033	1.3	3.8	-5.0

MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	AUG 2004	PERCENT OF:		PRODUCT	AUG 2004	PERCENT OF:	
	1,000 LBS.	AUG 2003	JUL 2004		1,000 LBS.	AUG 2003	JUL 2004
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	37,443	-7.6	1.6	HUMAN FOOD	22,204	-12.9	0.6
DRY WHEY, ANIMAL FEED	5,232	78.6	1.0	ANIMAL FEED	2,229	43.8	-8.1
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	6,749	-32.8	-5.8	CANNED EVAPORATED & CONDENSED WHOLE MILK	85,494	-3.6	4.2
LACTOSE, HUMAN FOOD & ANIMAL FEED	66,950	79.3	4.1	NONFAT DRY MILK FOR HUMAN FOOD	147,106	104.5	-8.7
DRY BUTTERMILK, TOTAL	5,624	147.6	-1.3				

1/ 2004 cumulative as percent change of 2003 cumulative. 2/ Whole milk cheese, including Cheddar, colby, monterey and jack. 3/ Mostly used for processing into cream or lowfat cottage cheese. 4/ Fat content 4 percent or more. 5/ Fat content less than 4 percent. 6/ Final marketable product only. Does not include quantity used or shipped to another plant for further processing into dry whey or modified whey products. 7/ Not shown when fewer than 3 plants reported or individual plant operations could be disclosed. 8/ Stocks held by manufacturers at all points and in transit. 9/ Reduced lactose and minerals stocks combined to avoid disclosure of individual operations.

SOURCE: "Dairy Products," Da 2-6 (10-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, SEPTEMBER

**Component Price Information:** Under the Federal milk order pricing system, the butterfat price for September 2004 is \$1.9354 per pound. Thus, the Class II butterfat price is \$1.9424. The protein and other solids prices for September are \$2.5431 and \$0.0589 per pound, respectively. These component prices set the Class III skim milk price at \$8.23 per cwt. The September Class IV skim milk price is \$6.45 which is derived from the nonfat solids price of \$0.7167 per pound. **Product Price Averages:** The product price averages for September are; butter \$1.7278, nonfat dry milk \$0.8639, cheese \$1.5867, and dry whey \$0.2162.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT 1/ 2/						
FEDERAL MILK ORDER MARKETING AREAS 3/	ORDER NUMBER	SEPTEMBER 2004				OCTOBER 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
DOLLARS PER 100 POUNDS						
Northeast (Boston) 4/	001	17.19	13.66	14.72	13.00	18.03
Appalachian (Charlotte) 5/	005	17.04	13.66	14.72	13.00	17.88
Southeast (Atlanta) 6/	007	17.04	13.66	14.72	13.00	17.88
Florida (Tampa) 7/	006	17.94	13.66	14.72	13.00	18.78
Midwest (Cleveland) 8/	033	15.94	13.66	14.72	13.00	16.78
Upper Midwest (Chicago) 9/	030	15.74	13.66	14.72	13.00	16.58
Central (Kansas City) 10/	032	15.94	13.66	14.72	13.00	16.78
Southwest (Dallas) 11/	126	16.94	13.66	14.72	13.00	17.78
Arizona-Las Vegas (Phoenix) 12/	131	16.29	13.66	14.72	13.00	17.13
Pacific Northwest (Seattle) 13/	124	15.84	13.66	14.72	13.00	16.68
All-Market Average	---	16.59	13.66	14.72	13.00	17.43

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide 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 market.  
 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 prices at other cities are: Portland, same; and Spokane, same.

## AUGUST FLUID MILK SALES

During August, about 4.5 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 1.2 percent lower than August 2003. After adjusting for calendar composition, sales in August 2004 were 1.2 percent lower than August 2003. On an individual product basis, after adjusting for calendar composition, sales of fat-free (skim) milk and flavored fat-reduced milk increased from August 2003, while sales of whole milk, flavored whole milk, reduced fat (2%) milk, low fat (1%) milk, and buttermilk decreased from a year earlier.

**Editor's Note:** Additional data can be found at <http://www.ams.usda.gov/dyfmoms/mib/in-areasales.htm>

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
AUGUST 2004, WITH COMPARISONS 1/

Product Name	Sales		Change from: 2/	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk	1,460	11,796	-4.2	-2.9
Flavored Whole Milk	68	576	-23.1	-14.2
Reduced Fat Milk (2%)	1,467	11,585	-0.5	-0.4
Low Fat Milk (1%)	508	4,088	-0.8	-1.6
Fat-Free Milk (Skim)	647	5,164	0.1	-1.7
Flavored Fat-Reduced Milk	249	2,195	20.3	10.5
Buttermilk	45	355	-1.5	-3.2
Total Fluid Milk Products 3/	4,458	35,874	-1.2	-1.1
Total Fluid Milk Products Adjusted 3/ 4/	4,507	35,704	-1.2	-1.8

1/ These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, which accounts for approximately 92 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 8 percent of sales from the Federal milk order and California data. 2/ Percent changes, as well as sales volumes, unless otherwise noted, are shown on an unadjusted basis; see 4/. 3/ Total fluid milk products include the products listed plus miscellaneous products and eggnog. 4/ Sales volumes and percent changes have been adjusted for calendar composition; see [http://www.ams.usda.gov/dyfmoms/mib/clndr\\_comp\\_rpt.pdf](http://www.ams.usda.gov/dyfmoms/mib/clndr_comp_rpt.pdf)

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, AUGUST 2004, WITH COMPARISONS 1/

Area (Order Number)	Sales		Change from: 2/	
	August	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	755	6,289	-1.8	-0.5
Appalachian (005)	297	2,304	-0.5	1.1
Southeast (007)	408	3,133	2.2	-1.9
Florida (006)	248	1,943	3.7	1.3
Mideast (033)	512	4,129	-1.1	-1.2
Upper Midwest (030)	348	2,842	-0.3	-0.8
Central (032)	384	3,048	-0.7	-0.5
Southwest (126)	354	2,771	1.1	0.2
Arizona-Las Vegas (131)	108	864	-0.8	0.3
Western (135) 3/	--	---	---	---
Pacific Northwest (124)	174	1,414	-0.4	-0.9
California (---)	512	4,176	-3.0	-2.8

1/ These figures are representative of the consumption of total fluid milk products in the respective area; see 3/ above for the products included. 2/ Percent changes, as well as sales volumes, are shown on an unadjusted basis; see 4/ above.

3/ Effective April 1, 2004, the Western Federal milk order was terminated.

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

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE PERIOD OF OCTOBER 1 - 8, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 10/01/04	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	7,288,242	-0-	7,288,242	7,288,242	10,977,619	563,534,000	1,133,688,000
Fortified	-0-	-0-	-0-	-0-	-119,048	46,391,000	46,391,000
<b>TOTAL</b>	7,288,242	-0-	7,288,242	7,288,242	10,858,571	609,925,000	1,180,079,000

# Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 107,927,589 with 1,308,481 pounds since 9/30/04. \$ Includes export donation deliveries under Invitation 070.

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF OCTOBER 1 - 8, 2004 =	1.6	84.8	COMPARABLE PERIOD IN 2003 =	2.4	126.4
CUMULATIVE SINCE OCTOBER 1, 2004 =	1.6	84.8	CUMULATIVE SAME PERIOD LAST YEAR =	2.4	126.4
CUMULATIVE JANUARY 1 - OCTOBER 8, 2004 =	54.8	2,950.0	COMPARABLE CALENDAR YEAR 2003 =	694.4	6,539.2

\* 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 PERIOD OF OCTOBER 1 - 8, 2004 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	999,996	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	5,949,144	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	339,102	-0-

**CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL**

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	999,996	-0-	13.7	0.0
WEST	-0-	-0-	-0-	-0-	5,949,144	10,858,571	81.6	100.0
EAST	-0-	-0-	-0-	-0-	339,102	-0-	4.7	0.0
<b>TOTAL</b>	-0-	-0-	-0-	-0-	7,288,242	10,858,571	100.0	100.0

**NDM SELLBACK TO THE TRADE** The cumulative sellback total for 2004 is 67,347,152 pounds.

**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 09/18/04 & Comparable Week 2003**

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2004-Dairy	0.0	0.8	7.1	2.4	16.4	3.2	0.6	1.1	11.9	2.6	46.0	1,702.8	46.7	47.2
2003-Dairy	0.2	0.7	7.5	5.5	22.5	2.8	0.7	1.1	14.5	3.3	58.6	2,045.3	47.8	47.5
2004-All cows	0.0	0.8	8.7	11.9	27.8	14.9	11.9	2.8	14.0	5.6	98.4	3,610.4		
2003-All cows	0.2	0.9	9.8	13.2	34.2	18.1	19.0	3.0	17.0	7.1	122.5	4,302.3		

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
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
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87

**FEDERAL MILK ORDER CLASS PRICES FOR 2004 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.85	11.59	11.94	13.64	19.65	21.13	17.95	14.62	13.94	14.78		
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00	13.13	13.66			
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72			
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31	12.46	13.00			

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfm0s/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfm0s/mib/cls_prod_cmp_pr.htm)