

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/16):
BUTTER: Grade AA closed at \$1.6600. The weekly average for Grade AA is \$1.7408 (-.1205).

CHEESE: Barrels closed at \$1.4300 and blocks at \$1.4600. The weekly average for barrels is \$1.4030 (+.0392) and blocks, \$1.4360 (+.0735).

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 \$0.8640 (-.0560).

BUTTER: The butter market tone is weak following the sharp decline at midweek. Many producers and handlers felt that the cash price would weaken in the near term, but were surprised at the magnitude of the one day decline. Churning activity across the country is heavier than many producers anticipated for this time of the year. Cream supplies are more available for churning needs with Class II demand not as aggressive as usual for mid summer. Stocks of butter are readily available for current needs although fresh butter supplies are occasionally short of full needs. Butter demand is seasonally fair.

CHEESE: The cheese market is steady to firm with prices rebounding from recent declines. Many in the industry are surprised by the rapid change in the price direction. Some attribute the increase to a recent announcement concerning the C.W.T. program to increase the cheese price floor. Milk and to a lesser degree current cheese supplies, have tightened. Buyers that had been holding out for additional declines are now ordering on a rising market. Until recent butter price weakness and the rebound in cheese prices, milk handlers have been trying to maximize butter production due to better returns compared to cheese.

FLUID MILK: Milk intakes are declining in area where warmer summer weather is occurring. Manufacturing milk interest is steady to only occasionally improved. Class I sales remain light, especially for summer. Florida continues to export surplus volumes to other states for processing. Milk receipts are steady to lower in the Central region. In California and New Mexico, higher temperatures, often accompanied by increased humidity, has led to reductions in receipts. For producers using normal heat abatement equipment (fans and sprinklers), high humidity makes them less effective. In New Mexico, receipts are steady to just slightly lower. Temperatures above 100 degrees in Utah and Idaho have caused receipts to decline only slightly. Hotter weather in the Pacific Northwest is also reducing plant milk intakes.

DRY PRODUCTS: The NDM market is unsettled to weak. Drying schedules are heavier than expected due to the continuing effort to minimize cheese production. Inventory of NDM is accumulating for many producers and additional volumes are being offered to CCC under the regular dairy price

support program from the West. Offerings have increased between fresh and older product. Some sellers have been discounting prices to stimulate sales. The buttermilk market is steady in the Central and West but steady to occasionally weak in the East. Condensed buttermilk production is seasonally heavy, reflecting increased churning activity. Ice cream demand for condensed has also improved. Dry buttermilk production is occasionally heavier. Producer inventories remain light and a few operations are accumulating a few extra loads for later year needs. The whey market is also weak and prices generally lower. Demand is light with some larger deals made at a discount. Production is steady to higher in the Central and West though lighter in the East. Current interest is generally fair. Supplies are about in balance in the East but more than adequate in the Central and West. Prices are generally unchanged on WPC with interest light. Feed demand is light due to lackluster milk replacer sales. Supplies are about in balance despite steady to higher production. Lactose is steady to weak though prices are mostly unchanged. Many buyers accumulated heavier than desired stocks during the second quarter. Spot interest is light, especially for totes. Production is unchanged to higher, reflecting heavy cheese production schedules.

CCC: For the week of July 12 - 16, CCC purchased 1,587,741 pounds of Western NDM at the support price of 80 cents. In addition, 4,126,229 pounds of NDM were purchased for the Export Donation Program under Invitation 080 to Announcement FMP1.

JULY MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecast for 2004/05 is unchanged from last month. Production is 2003/04 is reduced fractionally as growth in output per cow is lowered slightly from last month. The all milk forecasts for both 2003/04 and 2004/05 are reduced to \$15.60-\$15.70 and \$13.15-\$14.05 per cwt. as lower prices for Class III products more than offset increases in forecast Class IV prices. The Class III milk price forecast is reduced to reflect the sharp declines in cheese prices in recent weeks. Forecast Class IV prices are raised in response to expected continued strength in butter prices.

APRIL MAILBOX MILK PRICES (AMS, CDF): In April 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.40 per cwt., \$2.13 more than the revised figure for the previous month. The component tests of producer milk in April 2004 were: butterfat, 3.63%; protein, 3.02%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$19.89 in Wisconsin to \$15.00 in Northwest states. In April 2003, the Federal milk order all-area average mailbox price was \$10.79, \$6.61 lower.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

| PRODUCT | MONDAY JULY 12 | TUESDAY JULY 13 | WEDNESDAY JULY 14 | THURSDAY JULY 15 | FRIDAY JULY 16 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|-------------------|----------------------|
| CHEESE | | | | | | | |
| BARRELS | \$1.3675 (+.0100) | \$1.3675 (N.C.) | \$1.4200 (+.0525) | \$1.4300 (+.0100) | \$1.4300 (N.C.) | (+.0725) | \$1.4030 (+.0392) |
| 40# BLOCKS | \$1.4050 (+.0450) | \$1.4050 (N.C.) | \$1.4500 (+.0450) | \$1.4600 (+.0100) | \$1.4600 (N.C.) | (+.1000) | \$1.4360 (+.0735) |
| NONFAT DRY MILK | | | | | | | |
| EXTRA GRADE | \$.9200 (N.C.) | \$.8500 (-.0700) | \$.8500 (N.C.) | \$.8500 (N.C.) | \$.8500 (N.C.) | (-.0700) | \$.8640 (-.0560) |
| GRADE A | \$.9200 (N.C.) | \$.8500 (-.0700) | \$.8500 (N.C.) | \$.8500 (N.C.) | \$.8500 (N.C.) | (-.0700) | \$.8640 (-.0560) |
| BUTTER | | | | | | | |
| GRADE AA | \$1.8625 (N.C.) | ----- | \$1.7000 (-.1625) | ----- | \$1.6600 (-.0400) | (-.1975) | \$1.7408 (-.1205) |

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, JULY 12, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4050; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3675; 2 CARS 40# BLOCKS: 1 @ \$1.3950, 1 @ \$1.3575; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 9 CARS GRADE AA: 2 @ \$1.8600, 2 @ \$1.8625, 1 @ \$1.8600, 2 @ \$1.8625, 1 @ \$1.8650, 1 @ \$1.8625; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.8600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.8725

TUESDAY, JULY 13, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$0.8500; 1 CAR GRADE A @ \$0.8500

WEDNESDAY, JULY 14, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4200; 1 CAR 40# BLOCKS @ \$1.4500; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 16 CARS GRADE AA: 2 @ \$1.7500, 2 @ \$1.7200, 1 @ \$1.7150, 5 @ \$1.7000, 2 @ \$1.7025, 3 @ \$1.7050, 1 @ \$1.7000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 13 CARS GRADE AA: 2 @ \$1.7150, 3 @ \$1.7500, 5 @ \$1.8000, 1 @ \$1.8300, 1 @ \$1.8400, 1 @ \$1.8625

THURSDAY, JULY 15, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4600; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4300; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JULY 16, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 20 CARS GRADE AA: 6 @ \$1.7000, 3 @ \$1.6900, 1 @ \$1.6800, 1 @ \$1.6700, 1 @ \$1.6600, 3 @ \$1.6625, 3 @ \$1.6650, 2 @ \$1.6600; BIDS UNFILLED: 6 CARS GRADE AA: 1 @ \$1.6500, 5 @ \$1.6000; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.7400

BUTTER MARKETS

NORTHEAST

The market tone is mostly steady. Trading activity at the CME (through 7/12) has been relatively light. The July 12 cash butter price was unchanged at \$1.8625, the first unchanged close since May 10. Churning activity in the Northeast is moderate as cream volumes are more than adequate to meet the current Class II demand. Butter inventories are slowly building at most plants. Packaged butter demand is mostly steady at retail; steady to improved in the food service channels. 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 following the sharp decline recorded during the cash trading at the CME on Wednesday. Many producers and handlers felt that the cash price would weaken in the near term, but were surprised at the magnitude of the one day decline. Churning activity remains seasonally fair. Producers indicate that cream supplies are more available than they had anticipated for this time of the season. Stocks of butter remain readily available for current needs, although fresh butter supplies are often short of immediate needs. Butter demand is fair at best. Retail orders are basically for fill-in needs. When possible,

some buyers at midweek are hesitating to place orders until the market closes on Friday and a new weekly average is established. Food service orders are seasonally fair as restaurants and eating establishments continue to experience good summer traffic. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

The butter price at the CME fell 16.25 cents on July 14, to close at \$1.7000. The move seemed to surprise buyers and sellers alike. The big concern is whether this is a trend or a blip as butter is sold on the exchange. Several producers and buyers have been storing butter for partial coverage of fall needs. Cream supplies have been generally higher than anticipated with demand spotty. Ice cream interest is seasonally active but price sensitive. Surplus cream is ending up being churned. Butter production in the West is often heavier than projections. Milk and cream supplies are available. Weekly stocks at CME approved warehouses rose 2.5 million pounds and stand at 110.3 million pounds, down from the 197.9 report during the comparable period a year ago. Current prices for bulk butter range from flat market to 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 | BARRELS 38% MOISTURE | | | |
| JULY 10 | 1,5958 | 1,5586 | 0,8590 | 1,8740 | 0,2624 |
| | 7,489,342 | 9,272,745 | 17,409,519 | 2,709,586 | 10,724,145 |

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

CHEESE MARKETS

NORTHEAST

Prices continue to move lower on natural and process styles, unchanged on Swiss. Cheese output in the Northeast is light to moderate. More operations are limiting milk intakes while milk prices are high and cheese prices are low. The market tone is weak. Buyer are trying to keep purchases to immediate needs, but most are closely monitoring the market to start reordering when they feel the prices have "bottomed out." However, despite the high milk price, the low cheddar price is allowing a little cheddar to be put into aging programs. Demand for mozzarella is about steady at typical summer patterns. Retail sales are lagging as both price and seasonality are factors in the sluggish demand. Food service orders are fair to good, a typical pattern for this time of year.

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

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.4300-1.9450 |
| Cheddar Single Daisies | : | 1.3875-1.8625 |
| Cheddar 40# Block | : | 1.5025-1.7625 |
| Process 5# Loaf | : | 1.5750-1.7800 |
| Process 5# Sliced | : | 1.5950-1.8375 |
| Muenster | : | 1.6025-1.8050 |
| Grade A Swiss Cuts 10 - 14# | : | 2.4500-2.6500 |

MIDWEST

The cheese market is unsettled. Many in the industry were surprised by the rebound in prices on July 12 after recent weakness, though some are attributing at least part to the recent C.W.T. program announcement. Overall bulk cheese inventories remain seasonally heavy. Inventory levels are edging lower. Buyers that had been "vacationing" in recent weeks were back reordering for at least depleted volumes. Also, buyers were starting to feel prices may likely increase further and are again trying to build inventory for anticipated fall needs. Process movement has improved, aided by dryer, summer-like, weather conditions more conducive for grilling and travel. Processing solids interest has also improved. Milk and cheese production have declined slightly though not enough yet to put supply in closer balance with demand.

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

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.5450-2.1900 |
| Brick And/Or Muenster 5# | : | 2.0175-2.1700 |
| Cheddar 40# Block | : | 1.7150-2.2650 |
| Monterey Jack 10# | : | 1.9575-2.2650 |
| Blue 5# | : | 2.1125-2.8900 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.6600-2.3650 |
| Grade A Swiss Cuts 6 - 9# | : | 2.3475-2.9500 |

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

BUTTER : CHEESE

| | | |
|----------|--------|-----------|
| | : | |
| 07/12/04 | 52,338 | : 155,239 |
| 07/01/04 | 47,001 | : 154,110 |
| CHANGE | 5,337 | : 1,129 |
| % CHANGE | 11 | : 1 |

WEST

Prices for natural and process items are lower this week, following the declines in weekly average prices for cheese at the CME. However, the market prices for both barrels and blocks have increased 6.25 and 9 cents, respectively in the first three CME sessions this week. The recent announcement that the CWT program raised the floor price for cheese exports to \$1.40 (from \$1.30) seemed to lift the psyche of the market. Contacts are expecting orders to increase as many buyers were working down higher priced inventories and waiting for a softer and longer lived bottom. Buyers are surprised by the rapid turnaround. Production levels have been kept lower at many plants in the regions in attempts to balance inventories with current orders. Some producers still have excess inventories. Mozzarella stocks often remain heavier than needs.

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

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.5150-1.7750 |
| Cheddar 40# Block | : | 1.4850-1.8375 |
| Cheddar 10# Cuts | : | 1.6650-1.8850 |
| Monterey Jack 10# | : | 1.6750-1.8350 |
| Grade A Swiss Cuts 6 - 9# | : | 2.4500-2.8700 |

FOREIGN

Prices are unchanged on imported styles, lower on domestic types. The market tone is steady. Demand for foreign type cheese is seasonally slow and stocks are adequate to meet needs.

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 | : 1.7250-3.2150* |
| Gorgonzola | : | 3.6900-5.9400 | : 2.2275-2.4900* |
| Parmesan (Italy) | : | TFEWR | : 3.1350-3.2450* |
| Romano (Italy) | : | 2.1000-3.1500 | : -0- |
| Provolone (Italy) | : | 3.4400-5.5500 | : 1.7350-1.9600* |
| Romano (Cows Milk) | : | -0- | : 2.9200-5.0950* |
| Sardo Romano (Argentine) | : | 2.8500-3.2900 | : -0- |
| Reggianito (Argentine) | : | 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

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 | 0 | 65 | 0 | 45 | 0 | 60 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

Regional Milk Market Administrators announced the following, June 2004 uniform prices: Northeast \$19.70, Mideast \$18.56, Southeast \$20.11, Florida \$22.93, and Western New York (a state order) \$18.86 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production is still easing lower in most of the East. Hot, stormy weather in the Southeast is taking its toll on the cows and the milk output is falling at a more rapid pace. However, contacts report that there has been no rapid downturn in milk supplies. Reports indicate that storms in parts of Kentucky have caused flooding and power outages, which are disrupting milk pick-ups and deliveries. Class I needs in the Southeast range from light to moderate and surplus milk volumes are holding at heavy levels. Most Southeastern manufacturing plants continue to operate on a regular basis. This week, Florida handlers still shipped some milk out of state for processing. Volumes are down. Contacts there report that milk flow is not falling as quickly as anticipated. In the Northeast, fluid milk supplies are heavier this week, despite a slow decline in farm-level pickups. Manufacturing plants, particularly butter/powder operations, are still quite full. Contacts are a little surprised at the lack of hot weather and the continued heavy volumes of milk that need to be processed. Some cheese makers are still limiting their milk intakes. The condensed skim market is weaker. Some distressed loads were reported this week as producers wanted to reduce drying schedules. Class II prices are unchanged, but Class III condensed skim prices are sharply lower. However, current Class III prices are still well above NDM prices, which limits spot demand. The fluid cream market is weaker. Supplies are long and more loads were looking for a home at mid-week. Spot demand is fairly steady. It is the heavier offerings that are giving the weaker tone to the market. Spot prices are lower as both the CME average butter price and multiples are lower this week. Ice cream production is up seasonally, particularly soft serve mix. Cream cheese production is mostly steady. Churning activity is moderate to heavy. Some operations are limiting outside purchases because their own cream volumes are heavy enough to fill their butter needs.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

| | | |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 2.4197-2.6803 |
| DELIVERED EQUIVALENT ATLANTA | - | 2.4569-2.6803 M 2.4941-2.5686 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 2.4197-2.6058 |

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

| | |
|---|----------------|
| F.O.B. PRODUCING PLANTS: | |
| NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES | - .9200- .9600 |
| NORTHEAST- CLASS III - SPOT PRICES | - .9700-1.0300 |

M I D W E S T

Class I demand was steady to occasionally improved. Overall, Class I demand remains at slow summer levels. Manufacturing milk interest was uneven, but improved after the recent rebound in cheese prices stimulated new orders. Spot manufacturing milk price information was limited but ranged from flat class/components to around \$0.75 net over class. Depending on the day of the week, manufacturing milk interest is occasionally larger than the available milk volume. Recent declines in milk intakes at some operations are also reducing spot volumes being offered. Cream demand remains good with supplemental loads still originating in the West. Many plants were noticing butterfat yields were lower, generating less cream each day. While production remains seasonally active, ice cream sales seem to be a bit softer this year, perhaps due

to the weather. Condensed skim interest is uneven but still very slow from Class III accounts. Milk commitments to regular seasonal Southern buyers from the usual upper Midwest suppliers have been set up and are ready to start when the need arises, probably in a couple weeks. Plant milk intakes are steady to often lighter than in recent weeks. More seasonal temperatures, along with high humidity early in the week had caused some routes to come in at reduced volumes. Other operations are still noticing little week to week change. However, around midweek, a cool front reduced temperatures and humidity to more comfortable levels and intakes may partially recover. Plant operating schedules were being adjusted around milk supplies and provide time to pursue other summer projects. The warmer weather and humidity boosted corn height and maturity closer to normal levels in the areas that had been especially hard hit with heavy spring/early summer rains and flooded fields were most pronounced.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | | |
|---------------------------|-----------------|-----------------|
| | JULY 8 - 14 | PREVIOUS YEAR |
| SLAUGHTER COWS | \$ 54.50- 61.00 | \$ 44.00- 49.00 |
| REPLACEMENT HEIFER CALVES | \$340.00-600.00 | \$300.00-450.00 |

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

| | | |
|----------------|-----------------|-----------------|
| | JULY 8 - 14 | PREVIOUS YEAR |
| SLAUGHTER COWS | \$ 55.00- 64.00 | \$ 43.00- 49.50 |

W E S T

The August 2004 Class 1 prices in CALIFORNIA range from \$15.32 in the north to \$15.59 in the south. The statewide average Class 1 price based on production is \$15.37. The average is \$3.04 lower than July 2004 but \$0.86 higher than August 2003. CALIFORNIA milk production is trending lower as hot weather invades the South and moves into the Central Valley. Forecasts call for hot and more humid conditions. Milk intakes are declining more severely in the South. The drop is often welcomed as a way to balance supplies with milk needs. Despite higher cheese prices this week, cheese producers are slow to take additional milk supplies. In the northern milk producing areas, milk production is steady to declining only slightly. ARIZONA milk production is taking a decline as the "monsoon" season starts. Hot temperatures are now accompanied by humid conditions which combine to lead to very uncomfortable conditions for milk cows. Heat abatement measures don't work well in the humid conditions. Drops in milk intakes are common. Bottled milk orders were higher this week. Milk continues to be handled from nearby states. The weather is not causing any major issues at processing plants. NEW MEXICO milk production is holding mostly steady to slightly lower. Conditions have been generally favorable for milk cows. Milk shipments to the Southeast and to cheese plants in other regions have been slow to materialize. Milk is moving to nearby states for processing. CREAM markets are unsettled this week. Supplies vary from day to day. Offerings clear one day and the next day are very hard to place. The declining butter price caused some disruption in cream demand this week. Cream prices also declined, despite some higher multiples. The CME butter price closed at \$1.7000 on July 14, a drop of 16 cents from last week. Multiples are slightly higher and range from 118 to 130, FOB, and vary depending on class usage and basing point. Milk production in the NORTHWEST is steady to lower. Hotter weather conditions in WASHINGTON and OREGON are beginning to push milk output lower. Nighttime temperatures are cooling yet, so the total effect is not as great. Plant intakes are trending lower. Haying conditions are declining. Many producers are finishing second cutting with some beginning the third. Hay buying is slow to materialize with many dairies not having hay needs covered. Daytime temperatures have pushed above 100 degrees in UTAH and IDAHO. Milk intakes have dropped only slightly. Fat and protein levels are expected to decline as the weather trends continue.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are mostly unchanged on a steady to weak market. Milk volumes continue to be heavier than anticipated for this time of year, encouraging NDM production. Stocks are building at some locations for the light to fair interest. Aged NDM from CCC sell back programs is readily available as a low cost alternative to current NDM supplies. Inquiries are mostly noted from bakeries and brokers. Price resistance is reported on offers of low heat NDM in totes. High heat demand is good with most movement occurring on a contractual basis. Western supplies are available at competitive prices to the Central region.

EAST: Eastern prices are unchanged to lower again this week. The market tone is showing more signs of weakness. Production levels are holding up better than many had expected and some plants are growing their inventories. Although most contacts feel that the market for current production will strengthen as we move through summer and into fall, some producers have discounted prices to keep product clearing. Some multiple-load sales were noted at the producer level, but most spot interest continues to center on the lower priced NDM that once belonged to CCC. Many traders continue to report that NDM that has returned to the market from CCC stocks continues to sell in the \$.80's for powder around a year old. Reportedly, some two-year old powder is being offered in the \$.70's. Demand is steady.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8700 - .9000
 HIGHHEAT: .9050 - 1.2000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are holding steady following lower trends last week. The market tone is weakening. Support program offerings to the CCC continue to be made. Buyers are finding an abundance of offerings available from producers and resellers. Older powder is available at bigger discounts. Cheese makers continue to minimize purchases and are often offering out their stocks of NDM. There are direct export sales being made. Milk production levels are higher than projection and more milk is moving through butter/powder plants for processing. During the week of July 5 - 9, CCC was offered 628,313 pounds of NDM under the support program. High heat NDM prices are unchanged in light trading. There is little seasonal demand noted. Stocks are often limited.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8800 MOSTLY: .8300 - .8625
 HIGHHEAT: .8600 - 1.0000

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|---------|-------------|--------------|
| July 9 | \$.8391 | 11,148,824 | 0 |
| July 2 | \$.8355 | 14,278,320 | 0 |

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. Spot trade is very light at the high or low side of the range. Most activity is reported at prices near the average. Production of condensed buttermilk is steady to higher in response to higher churn activity at some locations. Although ice cream intake of condensed buttermilk is improving, production of dry buttermilk is steady to higher. Some plants are accumulating a few loads without trepidation as supplies are expected to be reduced in the latter part of the year. Demand is fair at best with inquiries noted by salad dressing makers and brokers.

F.O.B. CENTRAL: 1.0350 - 1.2700

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mixed, but generally lower. Fewer high priced resale loads are occurring as more price resistance is noted on spot sales. The Northeast price range remains nominal and the market tone is steady despite the price declines. Production levels are steady to slightly heavier as churning activity is increasing at some locations. The seasonally good demand for condensed buttermilk is keeping drying at moderate levels. Producer inventories are light to moderate and a few producers report that there is some accumulation of off condition powder and it is being discounted to clear. Demand for dry buttermilk is fair and price resistance is more evident.

F.O.B. NORTHEAST: 1.0000 - 1.1500
 DELVDSOUTHEAST: 1.0300 - 1.1700

DRY BUTTERMILK - WEST

Western dry buttermilk prices and the market tone are fully steady. Spot trading activity remains limited despite additional production as butter churning is seasonally active. Most trading is centered on contract sales as producers catch up with past orders. Ice cream production is using expected volumes. The call for condensed buttermilk is steady and taking projected amounts. Dry stocks are light to moderate.

F.O.B. WEST: 1.0200 - 1.0650 MOSTLY: 1.0200 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are steady and nominal. The market tone is unchanged. The lower butter price at the CME may have an impact on dry whole milk asking prices, but quotes were noted as unchanged this week. Production levels are light and geared to meeting contracts. Demand is slow.

F.O.B. PRODUCING PLANT: 1.3350 - 1.4800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 - YTD
 WITH CHANGES FROM PREVIOUS REPORT

| | | | |
|-----------------|----|--------|----------------------|
| NONFAT DRY MILK | -- | 68,201 | MT (150,355,925 LBS) |
| CHEESE | -- | 3,030 | MT (66,799,938 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.
 Stage two allocations are: NDM -- 45,468 MT and cheese -- 2,020 MT. These fill the program-year allocations for these products. The allocation for butterfat announced in stage one remains in place and leaves a balance for future, possible allocations.

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 lower on a weak market. Interest is light and further reduced by industry attendance at the annual Institute of Food Technologists (IFT) meeting in Las Vegas. Reduced demand and production of milk replacer product at some feed plants is encouraging feed buyers to sell their whey stocks at a loss in an attempt to generate cash flows. Multiple load trades are reported at a discount. Resale interest is fair with the best movement noted on contracts. Production is steady to higher as some cheese plants increase their milk intakes.

F.O.B. CENTRAL: .2400 - .2700 MOSTLY: .2500 - .2625

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly lower. The market tone is little changed from past weeks. Eastern plants continue to produce less than desired volumes and contracts are clearing all their output. Few direct spot sales are reported, which keeps the Northeastern prices nominal. Cheese production is lighter and most makers are not generating enough whey to meet needs. Although producers are in tight supply/demand balance, traders often have growing inventories and report continued slow demand. Spot buyers, seeing falling prices, are waiting for prices to settle out before reordering. Reports indicate that asking prices are seldom at a premium to the market. More often, spot resales are at a discount to the market, depending on age and quality.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2675 - .3050
DELVD SOUTHEAST: .2850 - .2900

DRY WHEY - WEST

Prices for Western whey powder continue to trend lower. Trading activity is fair and instances higher for both spot and export sales. Buyers are reluctant to make purchases unless prices are discounted. However, sellers are resisting lowball bids. Resellers continue to offer whey at discounts. Drying schedules are often being adjusted as some cheese makers trim production to balance cheese inventory levels. Stock levels vary from in balance to long.

NONHYGROSCOPIC: .2150 - .2800 MOSTLY: .2250 - .2400

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a steady to weak market. Trade activity is very light due in part to industry attendance of the annual Institute of Food Technologists (IFT) meeting. Supplies are reportedly available and competitive with permeate. Veal prices are steady to higher while early weaned pig prices are generally steady.

F.O.B. CENTRAL:
MILK REPLACER: .1600 - .2300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are generally unchanged on a steady market. Trade activity is very light due in part to industry attendance at the annual Institute of Food Technologists (IFT) meeting in Las Vegas. Feed interest in 34% WPC is reduced in response to lackluster demand for milk replacer products. Feed buyers were surprised that the CCC did not release any restricted NDM at bids of \$0.5111 to \$0.5951. Resale supplies of 34% WPC are reportedly being offered at a discount. Most producers report that stocks are mostly in balance. Production is steady to higher in response to higher milk intakes at some cheese plants.

F.O.B. EXTRA GRADE 34% PROTEIN: .6350 - .6700 MOSTLY: .6450 - .6650

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a steady to weak market. Some contracts for third quarter continue to linger. Asian buyers are stalling for lower prices as buyers accumulated heavier than desired stocks during the second quarter. Domestic contracts are finalized at generally steady prices. Spot interest is light, especially for product in totes. Production is steady to higher as milk intakes at some cheese plants increase. Producer stocks are heavier than desired at some locations and reportedly in balance elsewhere. Feed grade supplies are light. Permeate supplies are readily available as a substitute to feed grade lactose for the light interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .2100 - .2700 MOSTLY: .2200 - .2400

CASEIN - NATIONAL

Casein markets remain firm. The stock situation is little changed from previous weeks. Tight supplies continue to be reported from both suppliers and buyers. European producers do not foresee much improvement in production patterns as milk production continues to trail last season. In Oceania, the new milk production is about to resume and producers and milk handlers are optimistic about the new season. Under invitation #021, 2,000,641 pounds of government owned skim milk powder was sold back to the trade at \$0.37 per pound for the production of casein/caseinate. Since June 2002, 19,339,347 pounds of powder have been sold for this purpose with over 5.8 million pounds of this total sold since late May 2004 at prices ranging \$0.33 - .38 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: 2.4500 - 2.7500
ACID: 2.4500 - 2.7000

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady, and holding up better than many contacts expected. So far, surplus milk volumes are not declining as anticipated. Although hot weather persists over many parts of the country, milk production has not fallen off as quickly as many had thought. Consequently, producers are getting all the milk they want, price notwithstanding. Demand for canned evaporated milk is little changed and following seasonal patterns. Pricing (the milk and finished product) continues to be an issue.

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.

JULY MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecast for 2004/05 is unchanged from last month. Production in 2003/04 is reduced fractionally as growth in output per cow is lowered slightly from last month. The all milk forecasts for both 2003/04 and 2004/05 are reduced to \$15.60-\$15.70 and \$13.15-\$14.05 per cwt. as lower prices for Class III products more than offset increases in forecast Class IV prices. The Class III milk price forecast is reduced to reflect the sharp declines in cheese prices in recent weeks. Forecast Class IV prices are raised in response to expected continued strength in butter prices.

| Item | 2002/03 1/ | 2003/04 Projection 1/ | | 2004/05 Projection 1/ | | |
|------------------------------------|---------------|-------------------------|-------------|-----------------------|-------------|------|
| | | June | July | June | July | |
| SUPPLY | | BILLION POUNDS | | | | |
| BEGINNING COMMERCIAL STOCKS 2/ | 11.2 | 11.0 | 11.0 | 8.7 | 8.7 | |
| PRODUCTION | 170.4 | 169.5 | 169.4 | 171.7 | 171.7 | |
| FARM USE | 1.1 | 1.1 | 1.1 | 1.0 | 1.0 | |
| MARKETINGS | 169.3 | 168.4 | 168.3 | 170.7 | 170.7 | |
| IMPORTS 2/ | 5.0 | 5.2 | 5.6 | 5.1 | 5.1 | |
| TOTAL COMMERCIAL SUPPLY 2/ | 185.5 | 184.6 | 184.9 | 184.5 | 184.5 | |
| USE | | | | | | |
| COMMERCIAL USE 2/ 3/ | 173.3 | 175.9 | 176.3 | 176.2 | 176.2 | |
| ENDING COMMERCIAL STOCKS 2/ | 11.0 | 8.7 | 8.7 | 8.2 | 8.2 | |
| CCC NET REMOVALS: | | | | | | |
| MILKFAT BASIS 4/ | 1.2 | 0.0 | 0.0 | 0.1 | 0.1 | |
| SKIM SOLIDS BASIS 4/ | 8.8 | 2.8 | 2.5 | 3.9 | 3.9 | |
| | | DOLLARS PER CWT. | | | | |
| MILK PRICES 5/ | | | | | | |
| CLASS III 6/ | 10.63 | 15.25-15.45 | 14.70-14.80 | 11.85-12.85 | 11.80-12.70 | |
| CLASS IV 6/ | 10.05 | 12.20-12.50 | 12.45-12.65 | 11.00-12.20 | 11.15-12.25 | |
| ALL MILK 7/ | 11.91 | 16.00-16.20 | 15.60-15.70 | 13.20-14.20 | 13.15-14.05 | |
| | | MILLION POUNDS | | | | |
| CCC PRODUCT NET REMOVALS 4/ | | | | | | |
| BUTTER | 29 | -6 | -6 | 0 | 0 | |
| CHEESE | 47 | 7 | 7 | 6 | 6 | |
| NONFAT DRY MILK | 719 | 235 | 210 | 330 | 330 | |
| DRY WHOLE MILK | 0 | 0 | 0 | 0 | 0 | |
| | | QUARTERLY 8/ | | ANNUAL 8/ | | |
| | | 2004 III | 2004 IV | 2005 I | 2004 | 2005 |
| MILK PRODUCTION | | BILLION POUNDS | | | | |
| | 41.5 | 41.8 | 43.1 | 169.6 | 172.2 | |
| | | DOLLARS PER CWT. | | | | |
| ALL MILK PRICE 5/ 7/ | 15.20-15.60 | 14.80-15.50 | 12.90-13.90 | 15.65-15.95 | 13.05-14.05 | |
| CLASS III PRICE 5/ 6/ | 13.65-14.05 | 13.00-13.70 | 11.15-12.15 | 14.65-14.95 | 11.75-12.75 | |
| CLASS IV PRICE 5/ 6/ | 12.90-13.40 | 11.80-12.70 | 10.70-11.90 | 12.80-13.20 | 11.10-12.30 | |

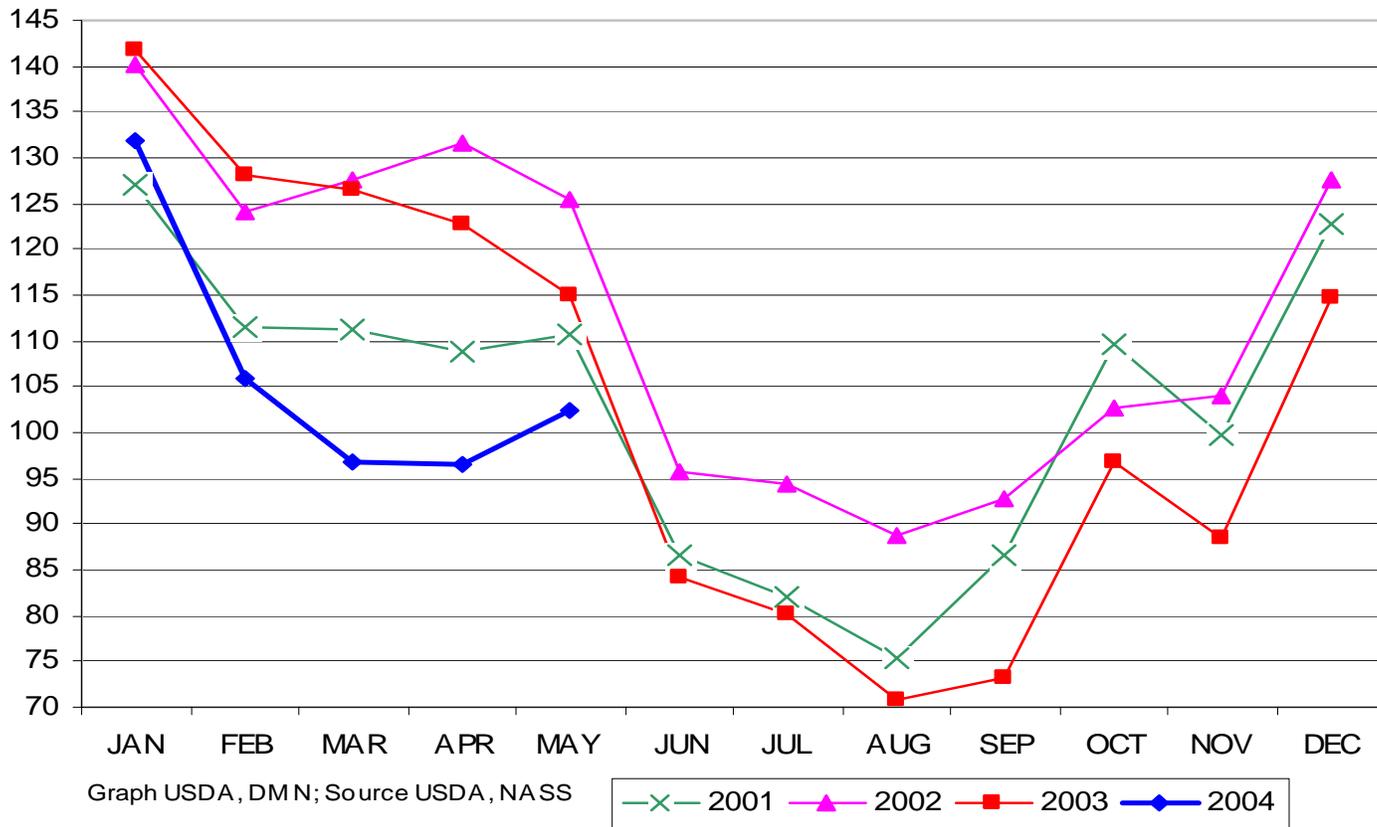
NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order minimum prices. Beginning in April 2003, the price forecasts use the new class price formulas. 7/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 8/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-412, World Agricultural Outlook Board, USDA, July 12, 2004.

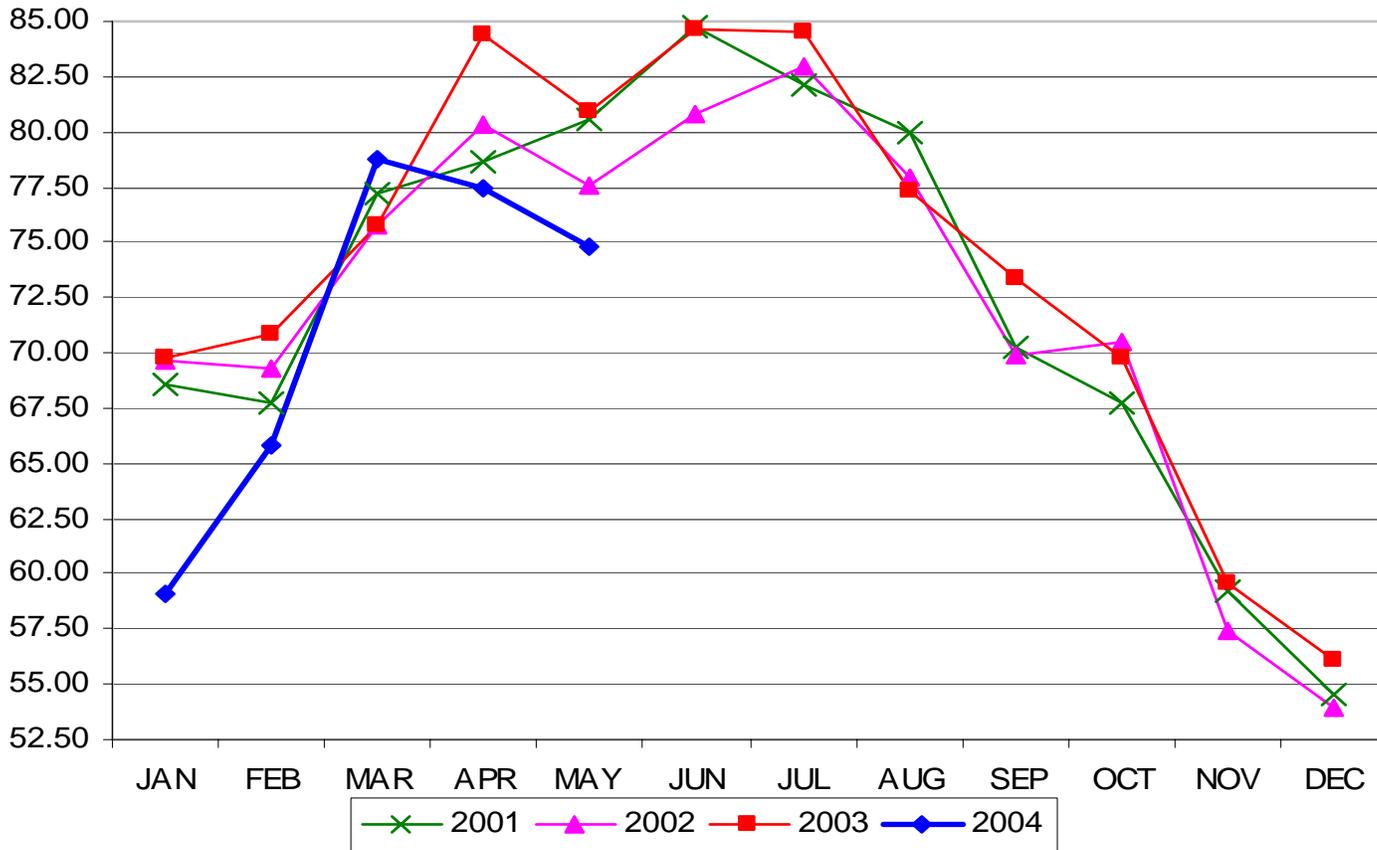
Million Pounds

U.S. BUTTER PRODUCTION



Million Gallons

U.S. HARD ICE CREAM PRODUCTION



**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS
AND CALIFORNIA, APRIL 2004**

In April 2004, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$17.40 per cwt., \$2.13 more than the revised figure for the previous month. The component tests of producer milk in April 2004 were: butterfat, 3.63%; protein, 3.02%; and other solids, 5.71%. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$19.89 in Wisconsin to \$15.00 in Northwest States. In April 2003, the Federal milk order all-area average mailbox price was \$10.79, \$6.61 lower.

Notes: 1.) Mailbox prices for Idaho and Utah are being discontinued due to the termination of the Western Federal milk order on 4/01/04. Information for Idaho may become available again depending of future pooling decisions. 2.) As a reminder, the mailbox price data series includes, for the most part, milk not-pooled under Federal orders due to disadvantageous price relationships. This contributes to the explanation of the large increases from March to April noted in some reporting areas.

| Reporting Area | Mailbox Milk Price <u>2/</u> | | |
|-----------------------------------|------------------------------|---------------|---------------|
| | April 2003 | March 2004 | April 2004 |
| | Dollars per hundredweight | | |
| Northeast Federal Milk Order | 11.06 | 15.57 | 17.12 |
| Appalachian States <u>3/</u> | 11.29 | 15.06 | 15.95 |
| Southeast States <u>4/</u> | 11.63 | 15.28 | 16.52 |
| Southern Missouri <u>5/</u> | 10.61 | 14.55 | 15.16 |
| Florida | 13.21 | 16.82 | 18.07 |
| Ohio | 10.80 | 15.38 | 16.30 |
| Indiana | --- | 15.28 | 16.36 |
| Michigan | 10.48 | 14.85 | 16.34 |
| Wisconsin | 10.85 | 16.13 | 19.89 |
| Minnesota | 10.86 | 16.22 | 19.81 |
| Iowa | 10.73 | 15.55 | 18.55 |
| Illinois | 10.84 | 15.58 | 17.63 |
| Corn Belt States <u>6/</u> | 10.68 | 14.31 | 16.07 |
| Western Texas <u>7/</u> | 10.62 | 14.51 | 16.35 |
| New Mexico | 9.72 | 13.46 | 15.27 |
| Idaho | 9.87 | 14.50* | --- |
| Utah | 9.54 | 14.29 | --- |
| Northwest States <u>8/</u> | 10.31 | 14.34 | 15.00 |
| All Federal Order Areas <u>9/</u> | 10.79 | 15.27* | 17.40 |
| California <u>10/</u> | 10.14 | 14.65 | 17.21 |

*=Revised.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. As applicable, includes milk not-pooled due to disadvantageous intra-order price relationships. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. Mailbox price does include, for the most part, the \$0.05 per cwt. assessment under the Cooperatives Working Together (CWT) program. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ The counties of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry and all those to the south of these. 6/ Includes Kansas, Nebraska and the Missouri counties to the north of those listed in 5/. 7/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 8/ Includes Oregon and Washington. 9/ Weighted average of the information for all selected reporting areas in Federal milk orders. 10/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF JULY 12 - 16, 2004 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|------------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/03 | SAME PERIOD LAST YEAR | WEEK ENDING 07/02/04 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -42,309 | 10,471,808 | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | 1,723,680 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -42,309 | 12,195,488 | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | 3,840,106 | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | 5,545,706 | -0- | -0- |
| Process | -0- | -0- | -0- | -0- | 31,798,800 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | 41,184,612 | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 5,713,970# | -0- | 5,713,970 | 320,348,961#\$ | 548,566,864 | 557,927,000 | 1,269,714,000 |
| Fortified | -0- | -0- | -0- | -119,048 | 702,598 | 46,391,000 | 46,391,000 |
| TOTAL | 5,713,970 | -0- | 5,713,970 | 320,229,913 | 549,269,462 | 604,318,000 | 1,316,105,000 |

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 87,887,057 \$ 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 |
|--|----------------|---------------|------------------------------------|----------------|---------------|
| WEEK OF JULY 12-16, 2004 = | 1.3 | 66.5 | COMPARABLE PERIOD IN 2003 = | 0.9 | 49.2 |
| CUMULATIVE SINCE OCTOBER 1, 2003 = | 69.5 | 3,727.5 | CUMULATIVE SAME PERIOD LAST YEAR = | 766.8 | 6,802.7 |
| CUMULATIVE JANUARY 1 - JULY 16, 2004 = | 44.0 | 2,378.2 | COMPARABLE CALENDAR YEAR 2003 = | 692.7 | 5,537.1 |

* 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 JULY 12 - 16, 2004 (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- | 5,713,970 | -0- |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| REGION | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT (%) | |
|--------------|---------|------------|---------|------------|-----------------|-------------|---------------------|---------|
| | 2003/04 | 2002/03 | 2003/04 | 2002/03 | 2003/04 | 2002/03 | 2003/04 | 2002/03 |
| CENTRAL | -0- | -0- | -0- | 32,010,372 | 7,646,276 | 22,181,077 | 2.4 | 39.2 |
| WEST | -42,309 | 12,195,488 | -0- | 9,174,240 | 308,299,863 | 488,497,914 | 96.2 | 59.7 |
| EAST | -0- | -0- | -0- | -0- | 4,283,774 | 38,590,471 | 1.4 | 1.1 |
| TOTAL | -42,309 | 12,195,488 | -0- | 41,184,612 | 320,229,913 | 549,269,462 | 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 06/26/04 & 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 | 0.1 | 0.8 | 6.2 | 2.6 | 16.5 | 1.6 | 0.3 | 0.7 | 10.1 | 1.9 | 40.7 | 1,177.8 | 43.9 | 47.0 |
| 2003-Dairy | 0.2 | 0.6 | 6.7 | 4.3 | 16.9 | 2.3 | 0.2 | 0.8 | 12.3 | 2.4 | 46.7 | 1,423.9 | 44.6 | 48.2 |
| 2004-All cows | 0.1 | 0.8 | 7.5 | 11.3 | 27.7 | 13.7 | 11.6 | 2.9 | 12.6 | 4.6 | 92.8 | 2,506.7 | | |
| 2003-All cows | 0.2 | 0.9 | 8.9 | 13.2 | 28.3 | 14.4 | 13.9 | 3.4 | 15.2 | 6.3 | 104.7 | 2,956.9 | | |

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 | | | | | |
| II | 11.67 | 12.90 | 14.79 | 15.21 | 15.03 | 14.31 | | | | | | |
| III | 11.61 | 11.89 | 14.49 | 19.66 | 20.58 | 17.68 | | | | | | |
| IV | 10.97 | 12.21 | 14.10 | 14.57 | 14.50 | 13.72 | | | | | | |

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