

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/30):**

BUTTER: Grade AA closed at \$1.6900. The weekly average for Grade AA is \$1.7008 (+.0316).

CHEESE: Barrels closed at \$1.4900 and blocks at \$1.5300. The weekly average for barrels is \$1.4760 (+.0300) and blocks, \$1.5100 (+.0320).

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 wholesale butter price at the CME closed the week unchanged from last Friday. The market undertone has become steadier with unsettledness noted. Many producers and handlers felt that prices would firm during late summer and now question if the current firmness will carry into the fall. Churning activity varies across the country depending on milk volumes and cream availability. Some end users want to build stocks for fall needs, but are cautious on possible price changes. Imports of butter for the first six months of 2004 are higher and, in instances, substantially higher than the same period last year. Quota butter volumes for January - June 2004 totaled 10.3 million pounds compared to 6.9 million pounds during the same 2003 period. High tier or non quota volumes for the first six months of this year totaled 14.1 million pounds compared to 94,000 pounds for the same period last year. The majority of the high tier volumes entered the States during May and June when butter prices were very near or above \$2.00 per pound. Overall butter demand is slow and unaggressive.

CHEESE: The cheese market is firm. Cheese orders have increased as price advances stimulate buyers to beat further increases. Demand remains best for natural varieties, with process sales steady to improved. Promotional activities have stimulated sales for some firms. Current cheese supplies have tightened rapidly. Output reductions of varieties with minimum aging requirements such as Swiss, until milk prices better reflect cheese prices, may affect fall availability. Cheese production is trending lower seasonally as summer weather causes milk volumes to decline. Cheese yields also reflect the lower summer fat and protein levels found in incoming milk.

FLUID MILK: Milk production is starting to show more heat-related declines in the West and Southwest, while only slightly lower in the Upper Midwest, the Northeast and the Southeast. Milk supplies, though tighter, are still ample to meet the slow to fair Class I needs. This week, Florida handlers began importing Grade A milk to supplement their milk output. If historical patterns are followed, these imports will increase in volume and continue until the end of the year. Handlers are preparing for a busy August for milk. Schools in many states will begin reopening in a couple weeks and bottlers are busy securing sources for their needs. Surplus milk volumes are lighter and many manufacturing plants are operating on reduced schedules. The fluid cream market is firming. Supplies are not as long and demand is mixed. The recent lower prices helped improve interest, but this week's increases on the CME cash butter market may stem next week's demand. Ice cream production remains seasonally active though some operations have cut back on their overtime to better balance supply with demand. High retail prices, smaller consumer-size containers, and weather are often cited as reasons for the "good-but-not-great" demand. Churning activity is slower as fewer loads of excess cream were noted this week.

DRY PRODUCTS: The NDM market is weak and prices are steady to lower in most regions of the country. Current output is slowing as surplus milk supplies tighten, but most producers do have more than enough powder on hand to meet the lackluster demand. Powder that has come back into the market through various government programs is creating a lot of competition for current output. Depending on age, prices for this powder are often in the 70's, f.o.b. The dry whey market is weak and prices moved lower again this week. Production levels are expected to taper off as surplus milk supplies tighten seasonally. Producer offerings are tighter in the East, but readily available from Central and Western plants. Reports indicate that resale loads continue to be offered at price below the current ranges. Demand for dry whey is showing some signs of improvement, but still far from aggressive. The dry buttermilk market is little changed. Spot demand is slow to fair, mostly slow and offerings are adequate to meet needs. The WPC market is weak. Offerings are heavy into most feed operations for the light interest. Feed buyers report that end-user interest in their products is slowing.

CCC: For the week of July 26 - 30, CCC net purchases total 2,172,273 pounds of Western NDM; 1,418,301 pounds of NDM were purchased under price support with the balance (753,972 pounds) purchased under Invitation 080 to Announcement FMP1.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the July 2004 prices under the Federal Milk Order pricing system and the changes from the previous month: Class II \$14.00 (-\$.31), Class III \$14.85 (-\$.2.83); and Class IV \$13.31 (-\$.41). Product price averages used in computing Class prices are: butter \$1.8269, NDM \$0.8513, cheese \$1.5695, and dry whey \$0.2607. The Class II butterfat price is \$2.0613 and the Class III/IV butterfat price is \$2.0543. Further information may be found at: <http://www.ams.usda.gov/dyfmos/mib/classprcacnmt.pdf>

DAIRY FORWARD PRICING PROGRAM DATA (DAIRY PROGRAMS): USDA-AMS Dairy Programs has continued to collect data concerning the Dairy Forward Pricing Program since submission of the report *A Study of the Dairy Forward Pilot Program and Its Effect on Prices Paid Producers for Milk*, October 2002. The study period for that report ended in March 2002. Tables and figures for data covering the period from September 2000 through December 2003 are now available at: http://www.ams.usda.gov/dairy/for_contr_pilot.htm

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first five months of 2004 totals 71.5 billion pounds, 1.4% above than the same period in 2003. Comparing disappearance levels with year earlier levels: butter is -4.0%; American cheese, +2.2%; other cheese, +5.7%; NDM, +87.9%; and fluid milk products, -2.1%

JUNE CONSUMER PRICE INDEX (BLS): The June CPI for all food is 186.3, up 3.7% from June 2003. The dairy products index is 188.8, up 15.2% from a year ago. The following are the June to June changes for selected products: fresh whole milk +28.9%, cheese +10.7%, and butter +46.6%.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY JULY 26	TUESDAY JULY 27	WEDNESDAY JULY 28	THURSDAY JULY 29	FRIDAY JULY 30	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.4500 (N.C.)	\$1.4600 (+.0100)	\$1.4900 (+.0300)	\$1.4900 (N.C.)	\$1.4900 (N.C.)	(+.0400)	\$1.4760 (+.0300)
40# BLOCKS	\$1.4800 (N.C.)	\$1.4900 (+.0100)	\$1.5200 (+.0300)	\$1.5300 (+.0100)	\$1.5300 (N.C.)	(+.0500)	\$1.5100 (+.0320)
NONFAT DRY MILK							
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.)
BUTTER							
GRADE AA	\$1.7050 (+.0150)	----	\$1.7075 (+.0025)	----	\$1.6900 (-.0175)	(N.C.)	\$1.7008 (+.0316)

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 26, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.6950, 1 @ \$1.6975, 1 @ \$1.7000, 1 @ \$1.7025, 1 @ \$1.7050; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.6000; OFFERS UNCOVERED: NONE

TUESDAY, JULY 27, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.4825, 1 @ \$1.4900; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4600; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JULY 28, 2004

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.4700, 1 @ \$1.4800; 2 CARS 40# BLOCKS: 1 @ \$1.5100, 1 @ \$1.5200; BIDS UNFILLED: 1 CAR BARRELS @ \$1.4900; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 9 CARS GRADE AA: 1 @ \$1.7100, 1 @ \$1.7125, 1 @ \$1.7100, 1 @ \$1.7050, 2 @ \$1.7075, 1 @ \$1.7000, 1 @ \$1.7025, 1 @ \$1.7050; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.7075, 1 @ \$1.7050, 1 @ \$1.7025, 2 @ \$1.6500; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.7500

THURSDAY, JULY 29, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JULY 30, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 6 CARS GRADE AA: 1 @ \$1.7075, 1 @ \$1.7025, 1 @ \$1.7000, 1 @ \$1.7025, 1 @ \$1.7000, 1 @ \$1.6900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.7000, 3 @ \$1.7500

BUTTER MARKETS

NORTHEAST

The market tone remains unsettled. At the CME, prices have moved both higher and lower in the past several trading sessions. Through July 26, the price had increased two straight sessions after falling three of the previous four. Contacts still comment that milk/cream supplies have not declined as expected and butter output is holding at moderate to heavy levels. Bulk and packaged butter stocks are more than ample to meet the current slow to fair demand. Retail pricing has not declined in concert with the drops seen at the CME. Food service orders are steady at good seasonal levels. 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:

Through midweek, the butter market is firm following three consecutive price increases at the CME during cash butter trading sessions. Many producers and handlers felt that prices would firm during late summer and now question if this firmness will carry into the fall. Churning activity is mixed. Some producers were taking advantage of the additional cream offerings that were available to them during the past week, while others were only churning with their regular supplies. Some cream buyers were taking advantage of weaker prices, based on last week's CME average, before potential increases this week. Stocks of butter remain fully sufficient for the fair, at best, butter demand. Retailers continue to

place short term orders as butter sales at the grocery store level are not overly aggressive. Industrial orders are seasonally fair as restaurants and food service establishments report steady summer sales patterns. Some resort and vacation areas are already preparing for the end of the summer vacation season as some Southern schools resume classes as soon as next week. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

The wholesale butter price continues to move higher at the CME and closed on July 28 at \$1.7075, up five cents from a week ago. The market undertone has become steadier with unsettledness noted. Production schedules are often lower, reflecting milk receipts. Additional cream is beginning to move to ice cream producers. August orders for more cream for ice cream production are increasing and are expected to lessen churning. Bulk butter orders are unaggressive with product available from producers. Print orders range from flat to slightly improved. Some end users want to build stocks for fall needs, but are cautious on possible price changes. Food service orders remain fair to good with the summertime trends. Butter stocks in CME approved warehouses decreased 341,000 pounds and stand at 110.5 million pounds, down 90.7 million pounds from the same week in 2003 and 37.3 million pounds lower than 2002. Current prices for bulk butter range from 2 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 24	1.4347	1.4261	0.8526	1.7087	0.2518
	9,120,860	9,447,451	11,871,496	2,908,746	9,021,765

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 higher on process and natural cheddar, unchanged on Swiss. The market tone is a little more settled as the trading level for blocks at the CME (through 7/26) have held at \$1.48 for five consecutive sessions. This leads some contacts to think that the market has found "its" level for the time being. Demand remains relatively sluggish due to continued high retail prices, but wholesalers are more inclined to buy a little beyond immediate needs while prices appear stable. Cheese production in the East is mostly steady. However, estimates of lower Class III milk prices in August may spur some additional output. Cheese stocks are readily available from both local and Midwestern suppliers to meet current needs. Food service orders are holding up at seasonally good levels.

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

Cheddar 10# Prints	:	1.5450-2.0600
Cheddar Single Daisies	:	1.5025-1.9775
Cheddar 40# Block	:	1.6175-1.8775
Process 5# Loaf	:	1.6550-1.8625
Process 5# Sliced	:	1.6750-1.9200
Muenster	:	1.7175-1.9200
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is firm. Plant "cushion stocks" have generally disappeared as orders have improved for more users. More buyers believe that the summer low has already occurred and that prices will likely rebound further into late summer/early fall. Some customers are trying to again build inventory. Recent consumer feature activity has moved good quantities of cheese, particularly natural chunks, in some markets. Some extra volumes of mozzarella, both fresh and frozen, are available from various sellers. Shred movement continues to be disappointing for many producers. Natural chunk business ranges from fair to excellent, though mostly fair to good. Process sales are moderate at retail but up from earlier this summer. Swiss interest continues to be affected by the rise and fall in cheese prices, especially by producers basing their cheese price on the milk cost that continues to trail the cash cheese prices. Current cheese production dipped during the recent heat and humidity. Some milk intakes have rebounded, though like bouncing a ball, returns only part of the way.

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

Process American 5# Loaf	:	1.6250-2.1900
Brick And/Or Muenster 5#	:	2.1325-2.1700
Cheddar 40# Block	:	1.8300-2.2650
Monterey Jack 10#	:	2.0725-2.2650
Blue 5#	:	2.2275-2.8900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7750-2.3650
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
07/26/04	54,606	:	152,296
07/01/04	47,001	:	154,110
CHANGE	7,605	:	-1,814
% CHANGE	16	:	-1

WEST

Price advancements are noted for both process and natural items following increases at the CME. The market tone is steady to firmer. Cheese production in the region is trending lower and reflects the decline in milk and yields due to hotter, summertime weather. Cheese producers are exploring returning to using more condensed skim and NDM in cheese making. Sales are improved as buyers attempt to rebuild inventories and stay ahead of price increases. Cheddar varieties have better interest shown than process. Food service orders for process are often lagging expectations. Contacts note declines in mozzarella sales and that interest is not yet redeveloping. Swiss prices are unchanged with demand lower than projections. The influence of imports coupled with domestic stocks made from higher priced milk is hurting sales.

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

Process 5# Loaf	:	1.5975-1.8575
Cheddar 40# Block	:	1.6000-1.9525
Cheddar 10# Cuts	:	1.7800-2.0000
Monterey Jack 10#	:	1.7900-1.9500
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are steady to higher and the market tone is unchanged. Demand is seldom better than fair for most foreign type cheeses. Stocks are adequate to meet current needs. During the first six months of 2004, cheese imports, subject to licensing requirements totaled 62.2 million Kg, up 15.0% from the same period a year ago. Imports of high-tier cheese during the same period totaled 12.25 million Kg, 22.4% more than the same period during 2003. For the high-tier category, cheddar and American-type cheese saw the largest gains. During the second quarter of the year, the U.S. cheese prices were extremely high, which prompted improved demand for imported cheddar and American-type cheeses, particularly cheeses used in further processing.

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	: 1.8400-3.3300*
Gorgonzola	:	3.6900-5.9400	: 2.3450-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.2500-3.3600*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5500	: 1.8500-2.0750*
Romano (Cows Milk)	:	-0-	: 3.0350-5.2100*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggiano (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

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	46	0	0	0	0	51
SOUTHEAST STATES	0	0	0	0	0	0

The base price for Class I milk for August 2004 is \$14.62, down \$3.33 from July. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for July is \$7.07, up \$0.04 from July. Milk production is holding relatively steady in the upper half of the East, steady to slightly lower in the Southeast. Mild weather in the Northeast and Middle Atlantic areas are helping keep the milk flow from declining as expected for July. It has been hot, but not too hot in the Southeast and milk production has not shown the typical summer declines. That being said, milk supplies have tightened enough and Class I demand has improved enough to ease the pressure on manufacturing plants. Florida's milk needs are now outpacing their supply and handlers have had to import loads to supplement local supplies. This is the first week since early January that Florida has needed to import milk and volumes are expected to grow. Contacts in other Southeastern states are reporting that some schools will reopen next week with more set to open the following week. Class I milk sales are improved, but some bottlers are waiting for August 1 to process more orders due to Class price changes. In the Northeast, bottled milk sales are about steady and bottlers are also trying to shift schedules to also take advantage of the milk price change. However, because August begins on a Sunday, the price change may not be as big a factor in processing as some other months. (For many bottlers, Sunday is typically a "down" day.) Manufacturing plant milk receipts are lighter in the Southeast and some balancing plants have been idled after a relatively long span of operation. Northeastern manufacturing plants are starting to see some drops in their receipts, but are still operating at moderate levels. The condensed skim market is mostly steady and prices are unchanged to slightly lower. Demand for wet solids is a little better on Class II, but slow to slightly improved for Class III. The fluid cream market is firm. Demand, though good, is lacking some of the aggressiveness often seen in mid-July when cream supplies are typically tight. Cooler temperatures and rainy weather in the Northeast, has been cited for the relatively slow ice cream consumption. One major ice cream producer has lowered their cream orders for the next two weeks to get their inventories in "better shape." Spot prices for fluid cream are generally lower as the CME average butter price did decline more than seven cents last week. Cream cheese output is about steady and expected to start increasing in the near future to meet fall needs. Churning activity is lighter this week.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2033-2.3703
DELIVERED EQUIVALENT ATLANTA	-	2.2367-2.4036 M 2.2701-2.3703
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.2033-2.3703

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9150- .9550
NORTHEAST- CLASS III - SPOT PRICES	-	.9700-1.0200

M I D W E S T

Class I interest was about steady at light summer levels. A few comments from bottlers and handlers concern the expected increase in fluid orders in August after lower producer prices are in affect. Manufacturing milk supplies remain limited and handlers generally need a little more lead time to secure additional volumes. On a limited test, spot manufacturing milk premiums range from

\$1.00-1.75 net over class. Milk supplies are expected to tighten further when schools start to reopen for fall. Southern milk shipments are expected to start soon with Florida already importing supplies from other sources. Cream supplies have tightened and multiples have increased. Ice cream production remains seasonally active though some operations have cut back on their overtime to better balance supply and demand. Plant milk intakes declined during the recent spell of more seasonal temperatures but volumes have partially rebounded in areas that cooled off. Overall milk intakes are trending lower, particularly in the central parts of the region where temperature remained hot. Fat and protein levels are steady to lower, reducing cream and manufactured product yields.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JULY 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 55.00- 64.50	\$ 46.00- 50.00
REPLACEMENT HEIFER CALVES	\$380.00-600.00	\$300.00-440.00

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

	JULY 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 57.50- 66.00	\$ 48.00- 53.00

W E S T

Milk production across most of CALIFORNIA is being impacted by hot, summertime weather conditions. In the south, milk intakes are lower as a result of several weeks of hot conditions. Milk is often being moved away from cheese plants as cheese producers want to keep stocks in better balance. Fluid milk demand is described as fair. Milk intakes in the Central Valley are moving lower. The weather remains the factor. Plants are running on expected schedules with little milk needing to be balanced from other areas. In the northern milkshed, milk output is also trending lower from the seasonal peak. Dry conditions are affecting hay and pasture qualities which in turn are contributing to less milk. ARIZONA weather patterns remain hot and milk continues to drop. Some locations have seen milk declines of 5 to 20% during the month as conditions take their toll on cows. Fluid milk orders are steady at light levels. Processing plants are running on reduced schedules because of lower milk supplies. NEW MEXICO milk is declining only slightly on seasonal basis as weather conditions have been mild. Rains are not having much impact on cows. Fat and solids tests are steady to slightly higher. Fluid milk interest has improved dramatically and shipments to the Southeast are taking more milk. The availability of trucks is sometimes a problem in moving milk out of state. The CREAM market is showing more firmness than in recent weeks. Butter prices are forging higher at the CME, closing a nickel higher than a week earlier and stood at \$1.7075 on July 28. Cream supplies are often tighter as milk output and fat contents move lower. Ice cream production is gearing up. Class 2 prices in California are projected to be lower and ice cream production should pick up as lower prices are passed on. Multiples moved higher and range from 122 to 132, FOB, and vary depending on class usage and basing point. Weather conditions across most of the NORTHWEST are not cow friendly and milk production is moving lower. Record heat in OREGON has impacted milk intakes and some plants are seeing 5-10% less milk over recent weeks. Bottled milk interest is higher ahead of the new month. Pastures are being irrigated, but the feed content is not at desired levels to help cows. Crops are not doing well. Milk in WASHINGTON is declining, but still reaching balancing plants on a limited basis. Supplies of dairy quality hay are fair to good. IDAHO and UTAH milk supplies are being affected by hot weather. Plant intakes are lower and this is welcomed. Cheese makers are assessing current stocks and future production in the face of now increasing cheese prices. Crop conditions are expected to worsen as one irrigation water supplier was going to cut off supplies for a week. Fat tests continue lower.

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. Supplies of NDM from CCC exchange programs are plentiful with prices reported as low as 70 cents on 2 year old product. Reports of 2 and 4 pound bags of instantized NDM being offered to the trade resale are also noted. Excess NDM supplies from the West are competitively priced in the Central region. Traders believe that direct manufacturer prices for current production need to adjust lower to be competitive with the resale market. Producers are generally holding prices steady at the current level and reporting that supplies are not burdensome. In addition, plants expect that production will seasonally decline as milk flows into bottling operations for the school year. High heat supplies remain limited for the good interest.

EAST: Eastern prices are unchanged to lower. The market tone continues to show signs of weakness. Production levels are a little lighter this week as surplus milk volumes tighten due to increasing Class I milk shipments to Florida and other Southeastern states. If historical patterns are correct, the loads of milk moving south will increase as we move into August and September. Some butter/powder balancing plants that had operating regularly since late spring, have now been idled or limited to weekend operations. Drying schedules in those plants still operating are often lighter. This is not entirely bad for those operations that have been making quite a bit during the early summer months as their in-plant warehouse space is full. Other contacts report a more comfortable in-house supply situation, but each operation's storage capacity varies. Demand for current NDM is slow to fair, but sales of powder once owned by CCC remains good. The older, government program powder continues to sell at prices well below current powder and is attracting most of the interest. Reports have one of the country's largest NDM suppliers reselling government program powder well below their current list price.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8575 - .9800 MOSTLY: .8700 - .8900
 HIGHHEAT: .9050 - 1.2000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are slightly higher on the bottom end of the range. The market tone is showing more weakness as more supplies are being offered. Resale and program powder are often undercutting current production offerings. Buyers are taking contracts loads, but others are finding attractive prices on older powder. Cheese producers are not aggressively pursuing NDM, but are often using inventories they have acquired. Their general thought is that prices will be lower in the future than was paid for powder in storage. Export interest is moving limited amounts at current prices. There is no announcement on the new DEIP year allocations. Production levels are trending lower and reflect milk intakes. Current inventory levels range widely with overall stocks available. During the week of July 19 - 23, Western producers offered 1,058,038 pounds of NDM to the CCC under the support program. High heat prices have been increased as producers react to seasonal improvements in market demand. High heat is not available from all producers. Some buyers have to wait to get their orders.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8900 MOSTLY: .8200 - .8625
 HIGHHEAT: .8600 - 1.0100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 23	\$.8258	7,101,031	725,130
July 16	\$.8377	13,646,239	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

Buttermilk prices are mostly unchanged and nominal on a steady to weak market. Sales are very light with most offers reported near the bottom of the range. Buyers are generally resisting prices at the current level. Traders fear that the market will be replaced by substitutes like NDM. Producers are holding supplies with confidence as production is expected to be reduced as milk intakes at bottling plants increase in the new school year. Condensed buttermilk movement is light with some custom dryers refusing additional loads to their contracts.

F.O.B. CENTRAL: 1.0500 - 1.1800

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are little changed this week. The market tone is slightly improved as the recent decline in prices did spark some interest. Producers who had a few loads on hand two weeks ago, now report being in better balance, but less churning may have played as much of a part as demand in the more balanced stocks situation. In some instances, producers have moved their prices back to early July levels. Northeastern prices are nominal and include resale loads. Spot demand is still lackluster, but contract sales are sufficient to clear most of the current output.

F.O.B. NORTHEAST: .9875 - 1.0900
 DELVDSOUTHEAST: 1.0100 - 1.1500

DRY BUTTERMILK - WEST

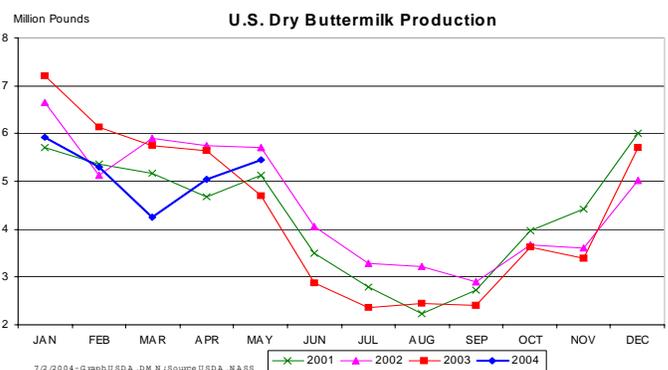
Western dry buttermilk prices are unchanged and the market undertone remains steady. Sales are light for spot trades with most of the activity being on contractual basis. Seasonal accounts are taking product as expected. Drying schedules are lower and expected to be limited as less butter is being made. Dry buttermilk stocks are light and holders are generally comfortable with their positions.

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

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. The market tone remains weak. Contacts report that demand for dry whole milk is still sluggish and production levels are being adjusted lower to stay in better balance with sales. Plant stocks, though not real long, are longer than desired. Recently lowered prices have done little to improve spot demand. Contacts report that one year old imported dry whole milk is being offered below \$1.20.

F.O.B. PRODUCING PLANT: 1.2850 - 1.4500



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. Trade activity is light. Some producers suspect that the market is nearing a bottom. However, discounting remains prevalent at most locations, especially into reseller operations. Sales of aged whey via resellers are occurring at prices below the range. Feed buyers are less apt to resell their excess whey stocks compared to last week. Feed buyer interest in spot whey sales remains light. Edible whey sales are mostly contractual. Export movement is light although inquiries continue to increase as prices trend lower.

F.O.B. CENTRAL: .2250 - .2500 MOSTLY: .2300 - .2350

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly lower. The market tone in the East is unchanged. In fact, despite lower prices, the Eastern dry whey market may be getting firmer. Production levels are lighter and some producers have had to further cut contracts because of lower than expected cheese and whey output. Per previous announcements, a cheddar plant ceased operation this week and the loads of condensed whey they produced are no longer available. Another Eastern cheese plant expects to be down for renovations/changes the month of September, which will further reduce dry whey availability. All producers continue to report little or no whey powder for spot sale. Traders do have inventories and continue to be offered dry whey from producers and traders in other parts of the country. Reports indicate that some buyers are showing more interest as they feel that prices may be nearing the bottom of this particular price cycle. With all the expectations of lower whey production in the East, some traders are holding stocks with a little more confidence. Despite the increased inquiries, overall market activity is still light.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2850
DELVD SOUTHEAST: .2700 - .2750

DRY WHEY - WEST

Prices for Western whey continue to move lower. Market activity is steady to higher. The market tone remains weak. Exporters are securing more sales in the low 20's. Domestic interest is mixed with reluctance noted from buyers. Sales to feed accounts are slow as many of those buyers have stocks and are seeing slow finished product sales. Drying schedules are moving lower with the seasonal declines in milk production. No major problems have been noted at dryers because of the hot conditions. Plants' stock levels vary from light to moderate with overall availability. Product is also available in the resale trade, often at a discount.

NONHYGROSCOPIC: .2100 - .2700 MOSTLY: .2100 - .2300

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a steady to weak market. Trade activity is light yet offerings are heavier than the week prior. Buyers are skeptical of the market as prices continue to trend lower in the Extra Grade market. Permeate supplies remain readily available at competitive prices. Veal and early weaned pig prices are trending steady.

F.O.B. CENTRAL:
MILK REPLACER: .1900 - .2200

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Offerings are heavy into most feed operations for the light interest. Feed buyers report that end-user interest in their milk-replacer products is reduced. Some feed buyers are seeking loads of high protein instead of 34% to offset excess loads of whey on hand. High protein supplies are reportedly available as a substitute to 34% at some locations whereas at others supplies are sold out. Production of WPC 34% is reportedly steady. Export trade is noted into Mexico for the food industry and into Canada for the feed industry. Totes are typically trading at a discount. Off grade product is more readily available than the week prior at biddable prices for the light to fair interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5950 - .6550 MOSTLY: .6250 - .6550

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a weak market. Trade activity is light into both domestic and export markets. Inquiries are predominantly noted from India. Stocks of lactose in China are reportedly plentiful, reducing demand to contractual loads only. Demand from some domestic infant formula companies is reduced. Producer supplies are in balance to heavier than desired. Spot prices are reported above and below the average. Traders report that supplies are readily available with the exception of the higher mesh sized product. Feed grade lactose remains difficult to clear due to the competitively priced supplies of permeate and off grade whey.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .2100 - .2700 MOSTLY: .2200 - .2300

CASEIN - NATIONAL

Casein markets remain firm. Many domestic buyers continue to adjust to recent price increases. Buyers indicate that they are not getting their desired volumes and often suppliers state that they do not foresee much change for the balance of the year. European production is on the seasonal down side while Oceania is about to begin the 2004 - 05 season. Stocks in both supply regions are in very close balance and often short of desired levels. Some suppliers are looking to other sources to fulfill their supply commitments with inquiries often going unfilled. Under invitation #022, 2,000,017 pounds of government owned skim milk powder was sold to the trade for the production of casein/caseinate at \$.3825 per pound. Since June 2002, the government has sold back 21,339,364 pounds of powder for this purpose at prices ranging \$0.22 - 0.3825 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: 2.5500 - 2.8000
ACID: 2.5500 - 2.8500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are mostly steady, but surplus milk supplies are expected to tighten along seasonal patterns now that milk is being shipped into the Southeast to supplement shortages in that area. Volumes are expected to increase in the coming months and evaporated milk producers will likely have less milk offered to them. Demand is mostly steady. Plant inventories are lighter than year ago levels, but adequate for current demand.

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.

FEDERAL MILK ORDER ADVANCE PRICES, AUGUST

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for August 2004 is \$14.62 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.55 and the advanced butterfat pricing factor of \$2.0952. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.37. Thus, the Class II skim milk price for August is \$7.07 per cwt., and the Class II nonfat solids price is \$0.7856. **Product Price Averages** - The two-week product price averages for August are: butter \$1.8610, nonfat dry milk \$0.8552, cheese \$1.5439, and dry whey \$0.2600.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/} _{2/}				
Federal Milk Order Marketing Area ^{3/}	Order Number	August 2004		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) ^{4/}	001	17.87	10.80	2.1277
Appalachian (Charlotte) ^{5/}	005	17.72	10.65	2.1262
Southeast (Atlanta) ^{6/}	007	17.72	10.65	2.1262
Florida (Tampa) ^{7/}	006	18.62	11.55	2.1352
Midwest (Cleveland) ^{8/}	033	16.62	9.55	2.1152
Upper Midwest (Chicago) ^{9/}	030	16.42	9.35	2.1132
Central (Kansas City) ^{10/}	032	16.62	9.55	2.1152
Southwest (Dallas) ^{11/}	126	17.62	10.55	2.1252
Arizona-Las Vegas (Phoenix) ^{12/}	131	16.97	9.90	2.1187
Pacific Northwest (Seattle) ^{13/}	124	16.52	9.45	2.1142
All-Market Average		17.27	10.20	2.1217

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. ^{6/} Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, MO., minus \$0.90. ^{7/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$.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 prices at Las Vegas is minus \$0.35. ^{13/} Class I prices at other cities are: Portland, same; and Spokane, same.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, AUGUST 2004, WITH COMPARISONS ^{1/}												
CITY	August 2002			August 2003			July 2004			August 2004		
	Announced Coop.	Federal Order	Difference									
Dollars Per Hundredweight, 3.5% Butterfat												
Atlanta, GA	15.51	13.58	1.93	16.00	14.07	1.93	22.08	21.05	1.03	18.75	17.72	1.03
Baltimore, MD	15.23	13.48	1.75	15.82	13.97	1.85	22.55	20.95	1.60	19.22	17.62	1.60
Boise, ID ^{2/}	12.38	12.08	0.30	12.87	12.57	0.30	---	---	---	---	---	---
Boston, MA	15.13	13.73	1.40	15.92	14.22	1.70	22.90	21.20	1.70	19.57	17.87	1.70
Charlotte, NC	15.51	13.58	1.93	16.00	14.07	1.93	22.08	21.05	1.03	18.75	17.72	1.03
Chicago, IL ^{3/}	14.37	12.28	2.09	15.04	12.77	2.27	23.47	19.75	3.72	19.97	16.42	3.55
Cincinnati, OH	14.29	12.68	1.61	14.74	13.17	1.57	21.98	20.15	1.83	18.65	16.82	1.83
Cleveland, OH	14.09	12.48	1.61	14.54	12.97	1.57	21.78	19.95	1.83	18.45	16.62	1.83
Dallas, TX	14.88	13.48	1.40	15.07	13.97	1.10	21.45	20.95	0.50	18.12	17.62	0.50
Denver, CO	13.88	13.03	0.85	14.37	13.52	0.85	21.35	20.50	0.85	18.02	17.17	0.85
Des Moines, IA	13.65	12.28	1.37	14.15	12.77	1.38	21.45	19.75	1.70	18.12	16.42	1.70
Detroit, MI	13.53	12.28	1.25	13.98	12.77	1.21	21.37	19.75	1.62	18.04	16.42	1.62
Hartford, CT	15.03	13.63	1.40	15.82	14.12	1.70	22.80	21.10	1.70	19.47	17.77	1.70
Houston, TX	15.48	14.08	1.40	15.67	14.57	1.10	22.05	21.55	0.50	18.72	18.22	0.50
Indianapolis, IN	14.09	12.48	1.61	14.54	12.97	1.57	21.78	19.95	1.83	18.45	16.62	1.83
Kansas City, MO	14.24	12.48	1.76	14.74	12.97	1.77	21.14	19.95	1.19	17.81	16.62	1.19
Louisville, KY	13.78	12.68	1.10	14.59	13.17	1.42	21.83	20.15	1.68	18.50	16.82	1.68
Memphis, TN	15.01	13.28	1.73	15.50	13.77	1.73	21.58	20.75	0.83	18.25	17.42	0.83
Miami, FL	18.02	14.78	3.24	18.27	15.27	3.00	24.35	22.25	2.10	21.02	18.92	2.10
Milwaukee, WI ^{3/}	14.47	12.23	2.24	15.14	12.72	2.42	23.42	19.70	3.72	19.92	16.37	3.55
Minneapolis, MN ^{3/}	13.82	12.18	1.64	14.49	12.67	1.82	23.12	19.65	3.47	19.62	16.32	3.30
New Orleans, LA	15.66	14.08	1.58	16.15	14.57	1.58	22.38	21.55	0.83	19.05	18.22	0.83
Oklahoma City, OK	14.73	13.08	1.65	15.22	13.57	1.65	21.10	20.55	0.55	17.77	17.22	0.55
Omaha, NE	13.70	12.33	1.37	14.20	12.82	1.38	21.11	19.80	1.31	17.87	16.47	1.40
Philadelphia, PA	15.40	13.53	1.87	15.87	14.02	1.85	22.60	21.00	1.60	19.27	17.67	1.60
Phoenix, AZ	12.98	12.83	0.15	13.47	13.32	0.15	20.45	20.30	0.15	17.12	16.97	0.15
Pittsburgh, PA	14.58	12.58	2.00	15.07	13.07	2.00	21.80	20.05	1.75	18.47	16.72	1.75
St. Louis, MO	13.73	12.48	1.25	14.22	12.97	1.25	21.50	19.95	1.55	18.17	16.62	1.55
Salt Lake City, UT ^{2/}	12.68	12.38	0.30	13.17	12.87	0.30	---	---	---	---	---	---
Seattle, WA	12.80	12.38	0.42	13.29	12.87	0.42	20.27	19.85	0.42	16.94	16.52	0.42
Springfield, MO	14.33	12.68	1.65	14.82	13.17	1.65	20.70	20.15	0.55	17.37	16.82	0.55
Washington, DC	15.23	13.48	1.75	15.82	13.97	1.85	22.55	20.95	1.60	19.22	17.62	1.60
Simple Average	14.44	12.96	1.48	14.96	13.45	1.51	21.97	20.48	1.49	18.62	17.15	1.47

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

^{2/} The data series for these cities was discontinued for April 2004, as the Federal milk order in which these cities are located was terminated on April 1, 2004.

^{3/} Announced cooperative prices for July and August 2004 include a \$1.50 surcharge due to negative Producer Price Differentials experienced in prior months.

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

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
APR 2004	184.5	3.4	174.0	4.9	171.2	8.0	175.6	5.4	181.9	31.5	179.2	8.5
MAY 2004	186.1	4.1	185.9	12.4	196.4	23.7	183.5	9.9	202.0	37.6	181.1	10.0
JUN 2004	186.3	3.7	188.8	15.2	204.1	28.9	185.7	10.7	208.5	46.6	182.3	9.0
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Dollars											
APRIL	2.906	2.674	3.353	2.721	3.848	3.760	4.134	3.960	3.815	3.296		
MAY	3.374	2.685	3.758	2.726	4.052	3.589	4.406	3.806	3.744	3.739		
JUNE	3.574	2.676	3.937	2.658	4.090	3.769	4.550	3.796	3.877	3.806		

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—MARCH-MAY 2003-2004 AND ANNUAL 2003-2004 ^{1/}

Item	Mar.-May 2003	Percent change ^{2/}	Mar.-May 2004	Percent change ^{2/}	Jan.-May 2003	Percent change ^{2/}	Jan.-May 2004	Percent change ^{2/}
	Million Pounds							
MILK								
Production	44,680	0.0	44,153	-1.2	72,711	0.6	72,125	-1.4
Marketings	44,398	0.0	43,892	-1.1	72,249	0.6	71,692	-1.4
Beginning Commercial Stocks ^{3/}	12,046	31.2	10,122	-16.0	9,891	40.5	8,331	-15.8
Imports ^{3/}	1,263	3.6	1,680	33.0	2,076	4.4	2,390	15.1
Total Supply ^{4/}	57,707	5.3	55,694	-3.5	84,216	4.2	82,413	-2.7
Ending Commercial Stocks ^{3/}	13,303	12.1	10,966	-17.6	13,303	12.1	10,966	-17.6
Net Removals ^{3/}	669	913.6	-4	-100.6	825	643.2	-92	-111.2
Commercial Disappearance ^{4/}	43,735	2.0	44,732	2.3	70,088	1.8	71,539	1.4
SELECTED PRODUCTS ^{5/}								
Butter	308.4	3.6	298.1	-3.3	498.9	0.8	482.6	-4.0
American Cheese	937.3	0.6	970.2	3.5	1,508.2	0.4	1,551.9	2.2
Other Cheese	1,315.9	0.4	1,398.9	6.3	2,129.0	0.7	2,265.0	5.7
Nonfat Dry Milk	206.5	22.0	418.3	102.6	301.2	9.0	569.1	87.9
Fluid Milk Products ^{6/}	13,925.5	-0.3	13,681.8	-1.7	23,201.4	0.4	22,872.4	-2.1

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds. ^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JULY 26 - 30, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 07/23/04	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-42,309	10,133,351	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	1,313,280	-0-	-0-
TOTAL	-0-	-0-	-0-	-42,309	11,446,631	-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-	31,838,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,224,212	-0-	-0-
NONFAT DRY MILK							
Nonfortified	2,299,012#	126,739	2,172,273	325,523,669#	568,183,270	533,397,000	1,256,217,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	2,299,012	126,739	2,172,273	325,404,621	568,780,084	579,788,000	1,302,608,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 91,249,755 \$ 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 26-30, 2004 =	0.5	25.3	COMPARABLE PERIOD IN 2003 =	2.4	129.5
CUMULATIVE SINCE OCTOBER 1, 2003 =	70.7	3,787.7	ULATIVE SAME PERIOD LAST YEAR =	755.2	7,030.1
UMULATIVE JANUARY 1 - JULY 30, 2004 =	45.2	2,438.4	COMPARABLE CALENDAR YEAR 2003 =	681.1	5,764.5

* 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 26 - 30, 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-	2,172,273	-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-	32,049,972	7,646,276	24,014,567	2.4	39.9
WEST	-42,309	11,446,631	-0-	9,174,240	313,474,571	507,195,721	96.3	59.0
EAST	-0-	-0-	-0-	-0-	4,283,774	37,569,796	1.3	1.1
TOTAL	-42,309	11,446,631	-0-	41,224,212	325,404,621	568,780,084	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 07/10/04 & 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	0.7	5.0	1.8	13.8	2.1	0.5	0.7	8.8	1.0	34.5	1,251.8	47.7	46.9
2003-Dairy	0.2	0.8	6.6	4.8	20.5	2.5	0.2	1.0	13.2	2.5	52.3	1,517.5	47.0	48.1
2004-All cows	0.1	0.7	6.2	8.9	22.5	10.6	8.7	2.3	10.7	1.5	72.3	2,669.2		
2003-All cows	0.2	1.1	8.7	13.9	31.6	15.9	15.3	3.3	15.1	6.2	111.3	3,156.4		

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				
II	11.67	12.90	14.79	15.21	15.03	14.31	14.00					
III	11.61	11.89	14.49	19.66	20.58	17.68	14.85					
IV	10.97	12.21	14.10	14.57	14.50	13.72	13.31					

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