

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/6):
BUTTER: Grade AA closed at \$1.4425. The weekly average for Grade AA is \$1.5208 (-.1800).

CHEESE: Barrels closed at \$1.5100 and blocks at \$1.5400. The weekly average for barrels is \$1.5100 (+.0340) and blocks, \$1.5470 (+.0370).

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 market tone is weak. This week at the CME, Grade AA butter fell 24.75 cents in moderate trading (63 cars traded). Contacts note that butter inventories are more than ample for the current, slow demand. Buyers, particularly for bulk, seem to have stepped back from the market and are waiting to see how far prices will drop before reentering the market. Also, reports indicate that some butter/AMF imported earlier in the year is being used up to clear those inventories. Retail sales are still relatively slow and many reports note that retail prices have not changed significantly from March and April when the CME price was well over \$2.00 per pound. Churning activity is a little lighter in most parts of the country.

CHEESE: The cheese market is unsettled to steady. More cheese buyers are placing orders, expecting tighter supplies and possibly higher prices as milk receipts decline seasonally and schools reopen. Current cheese supplies are tight to adequate. Cheese production is trending lower seasonally. Estimated U.S. cheddar cheese output during the first half of 2004, after adjusting February to 28 days, totals 1.430 billion pounds, up 22.4 million pounds (1.6%) from the same period in 2003. The adjusted total cheese output during the first 6 months of 2004 totals 4.417 billion pounds, up 155.4 million pounds (3.6%) from the same period last year.

FLUID MILK: Affected by seasonally hot temperatures, milk production in the Central and Eastern United States is trending lower. Cooler temperatures in the West are encouraging steady milk output with some sectors in California reporting milk production rebounds. To compensate for reduced milk output in the Southeast, Northeastern and Midwestern producers are shipping milk supplies to the South. Resumption of classes at some Southern schools is also encouraging higher milk demand in the lower half of the nation. Milk intakes at manufacturing plants are improved compared to the week prior, particularly for Class III. Churn activity is light to fair, due in part to the limited supplies of cream. Prices for cream are higher in response to increases in the CME AA butter average and multiples reported. Ice cream interest in cream is steady with supplies moving from the West to the Central to offset supply deficiencies.

DRY PRODUCTS: Dry products prices are generally trending unchanged to lower. NDM production is steady to lower in response to seasonal reductions in the milk supply. However, sales of NDM to the CCC were noted from the Central and Western regions during the current week. Heavy supplies of NDM from CCC exchange programs are noted in the trade. Buttermilk movement is light with supplies in balance to short of buyer needs. Whey prices are lower and demand is light. Stocks are available in the Central and West yet tight in the East. Traders suspect that whey prices may be nearing a bottom. The WPC market is weak. Available supplies of high and low protein product are being offered as competitive substitutes to 34% WPC. WPC demand is reportedly light. Lactose prices are unchanged to lower. Lactose demand is light due in part to reduced interest from some export markets.

CCC: For the week of August 2 - 6, CCC net purchases total 7,105,712 pounds of Western and Central NDM; 4,525,034 pounds of NDM were purchased under price support with the balance (2,663,341 pounds) purchased under Invitation 080 to Announcement FMP1.

JULY AGRICULTURAL PRICES HIGHLIGHTS (NASS): The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2004 was unchanged at 134. Compared with July 2003, the index was up 7 points (5.5%). The index of prices received by farmers for dairy products declined 15 points during the month of July 2004 to 124. Compared with July 2003, the index was up 31 points (33.3%). Prices received by farmers in July 2004 with changes from June 2004 were: for All Milk, \$16.20, down \$2.00; for Fluid Grade Milk, \$16.20, down \$2.10; and for Manufacturing Grade Milk, \$14.90, down \$2.00.

JUNE DAIRY PRODUCTS HIGHLIGHTS (NASS): Butter production was 97.0 million pounds in June, 15.2% above June 2003 but 9.0% below May 2004. American type cheese production totaled 309.8 million pounds, 1.6% above June 2003 but 6.7% below May 2004. Total cheese output (excluding cottage cheese) was 716.8 million pounds, 0.6% above June 2003 but 4.2% below May 2004. Nonfat dry milk production, for human food, totaled 143.0 million pounds, 2.2% above June 2003 but 5.3% below May 2004. Dry whey production, for human food, was 79.0 million pounds, 7.7% below June 2003 and 4.0% below May 2004. Ice cream (hard) production totaled 85.8 million gallons, 1.2% above June 2003 and 14.2% above May 2004.

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

BUTTER AND CLASS III & IV FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 JULY MONTHLY AVERAGES AND SUMMARY (PAGES 9 - 11)
 JULY AGRICULTURAL PRICES HIGHLIGHTS (PAGE 12)

JUNE DAIRY PRODUCTS HIGHLIGHTS (PAGE 13)
 DAIRY GRAPHS (PAGE 14)
 JULY FEDERAL MILK ORDER CLASS AND COMPONENT PRICES (PAGE 15)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY AUGUST 2	TUESDAY AUGUST 3	WEDNESDAY AUGUST 4	THURSDAY AUGUST 5	FRIDAY AUGUST 6	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5100 (+.0200)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	\$1.5100 (N.C.)	(+.0200)	\$1.5100 (+.0340)
40# BLOCKS	\$1.5500 (+.0200)	\$1.5500 (N.C.)	\$1.5475 (-.0025)	\$1.5475 (N.C.)	\$1.5400 (-.0075)	(+.0100)	\$1.5470 (+.0370)
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	\$1.6100 (-.0800)	----	\$1.5100 (-.1000)	----	\$1.4425 (-.0675)	(-.2475)	\$1.5208 (-.1800)

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, AUGUST 2, 2004

CHEESE — SALES: 2 CARS BARRELS: 1 @ \$1.5000, 1 @ \$1.5100; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.5500; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 8 CARS GRADE AA: 2 @ \$1.6200, 1 @ \$1.6225, 2 @ \$1.6200, 1 @ \$1.6200, 1 @ \$1.6100; BIDS UNFILLED: 3 CARS GRADE AA @ \$1.6000;
 OFFERS UNCOVERED: 11 CARS GRADE AA: 3 @ \$1.6300, 1 @ \$1.6500, 1 @ \$1.6600, 1 @ \$1.6700, 1 @ \$1.6800, 1 @ \$1.6900, 1 @ \$1.7000, 2 @ \$1.7500

TUESDAY, AUGUST 3, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 4, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5475
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 24 CARS GRADE AA: 1 @ \$1.5500, 1 @ \$1.5400, 7 @ \$1.5200, 1 @ \$1.5225, 1 @ \$1.5250, 4 @ \$1.5200, 1 @ \$1.5150, 1 @ \$1.5200, 1 @ \$1.5150,
 1 @ \$1.5175, 2 @ \$1.5200, 3 @ \$1.5100; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.5025, 6 @ \$1.5000; OFFERS UNCOVERED: 13 CARS GRADE AA: 1 @ \$1.5200, 2 @ \$1.5300,
 1 @ \$1.5350, 1 @ \$1.5400, 2 @ \$1.5500, 2 @ \$1.5750, 4 @ \$1.6000

THURSDAY, AUGUST 5, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 6, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.5400
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 31 CARS GRADE AA: 1 @ \$1.5100, 1 @ \$1.5000, 2 @ \$1.5100, 1 @ \$1.5025, 2 @ \$1.5000, 2 @ \$1.5025, 1 @ \$1.5050, 1 @ \$1.5025, 2 @ \$1.5000,
 1 @ \$1.4900, 2 @ \$1.4925, 1 @ \$1.4900, 1 @ \$1.4800, 1 @ \$1.4700, 1 @ \$1.4725, 1 @ \$1.4625, 1 @ \$1.4650, 1 @ \$1.4625, 1 @ \$1.4600, 2 @ \$1.4500, 1 @ \$1.4525, 2 @ \$1.4500,
 1 @ \$1.4525, 1 @ \$1.4425; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.4400; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.5100, 2 @ \$1.5150, 1 @ \$1.5200

BUTTER MARKETS

JUNE BUTTER PRODUCTION

During June 2004, butter production in the United States totaled 97.0 million pounds, 15.2% more than June 2003 but 9.0% less than May 2004. The following are June to June changes for various states: CA +30.3%, NY -4.4%, PA +1.4%, and WI +20.5%.

NORTHEAST

The market tone remains unsettled. Prices at the CME (through August 2) have moved lower in the two most recent sessions. The trading level at the CME has not been this low since early February 2004. Despite the drop in prices, contacts report that the demand for butter is slow. Interest in bulk is slow to fair, as users seem to be using up older stocks before reordering on what appears to be a falling market. There is some speculation about where prices will bottom out and when to get back into the market. Butter supplies are more than ample to meet current needs. Retail demand is mostly slow as few retailers have adjusted their selling prices to follow the changes at the CME. Printers are relatively active as they are putting up stocks for anticipated fall/winter needs. Churning activity is lighter as cream supplies tightened last week and Class II demand was a little better. 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

The butter market tone is weak with the cash price declining nearly 20 cent in the three most recent trading sessions. The mid-week cash price of \$1.5100 per pound is the lowest cash price since late January of this year. The current cash price compares to \$1.2250 at this time last year. Churning activity is mixed depending on cream availability and price. Often, butter producers are only taking regular source offerings while others are taking advantage of additional cream offerings

from outside sources. Many buyers are aware that cream prices may be potentially lower in the near term and thus limiting outside purchases at this time. Butter stocks remain lighter than desired, although slower sales are allowing some current production to enter warehouses for future use. Buying interest is light as buyers, when possible, are delaying purchases in a down market. Food service buyers for resort and vacation areas continue to place fairly good orders, although they are fully aware that the unofficial end of the summer vacation season is just a month away. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Some Western contacts were somewhat surprised at the weakness noted at the cash CME market this week. A number of churning operations are noting that their production levels have fallen rather sharply over the past few weeks. They also indicate that demand for butter is good for this time of year. Comments are noted that cream ranges from tight to balanced. Some additional offerings of cream may become available as fluid milk pipelines begin to be filled for the upcoming school season. June U.S. butter production totals 97.0 million pounds, up 15.2% from last year. Imports of butter subject licensing requirements for the first six months of the year totals 10.3 million pounds. This compares to 6.8 million pounds at this same period last year. Imports have reached 67% of the quota total. High tier imports for the first six months total 14.1 million pounds, compared to only a few loads last year. Imports increased almost 4 million pounds during June. CME weekly butter storage stocks declined by 1.56 million pounds this past week. This is the largest decline in many weeks. 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	38% MOISTURE BARRELS			
JULY 31	1.4459	1.4474	0.8598	1.6875	0.2335
	9,129,245	8,566,406	31,011,684	3,089,773	10,762,366

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 higher at the CME and the market tone is relatively firm. However, with retail prices as high as they are, demand for cheese at retail is not very brisk. Some feature activity is being reported in an effort to boost sales. Wholesalers are showing more interest in cheese as they look to purchase in advance of additional price increases, should they occur. At the CME, cheese prices have advanced for three consecutive weeks, and blocks (through August 2) have gained nearly twenty cents since July 9. Cheese production in the Northeast is steady to lighter. A planned closing of a cheddar plant did take place last week. Cheddar stocks are adequate for current needs. Production of Mozzarella and Provolone is generally lighter. Food service orders are holding up seasonally well as we enter the last few weeks of the summer vacation season.

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

Cheddar 10# Prints	:	1.5775-2.0925
Cheddar Single Daisies	:	1.5350-2.0100
Cheddar 40# Block	:	1.6500-1.9100
Process 5# Loaf	:	1.6850-1.8925
Process 5# Sliced	:	1.7050-1.9500
Muenster	:	1.7500-1.9525
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady to firm. Current cheese supplies are tight to adequate, depending on the variety. Varieties normally made to order such as colby and jack are tight. Cheddar, depending on age, is usually more available. Wary buyers are watching their working inventory, expecting the availability of some varieties to become an issue during the next several weeks as summer weather reduces milk receipts, local schools reopen, and milk shipments to the Southeast increase. Best interest remains on natural varieties over process. Process interest is fair to just occasionally good. Government cheese contract shipments are moving additional volumes for some processors. Aged cheddar interest has improved with some age gaps in the supplies available. Mozzarella demand has improved for some sellers. Overall cheese production is easing lower seasonally as intakes and cheese yields drift lower.

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

Process American 5# Loaf	:	1.6550-2.0700
Brick And/Or Muenster 5#	:	2.0500-2.1650
Cheddar 40# Block	:	1.8625-2.2650
Monterey Jack 10#	:	2.1050-2.2650
Blue 5#	:	2.2600-2.7700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8075-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.4475-2.9500

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

	BUTTER	:	CHEESE
08/02/04	56,968	:	151,353
07/01/04	47,001	:	154,110
CHANGE	9,967	:	-2,757
% CHANGE	21	:	-2

WEST

Cash cheese prices at the CME market have been slowly increasing since July 7. Blocks have gained almost 19 cents in the past four weeks. Buyers are now returning to the market because they want to beat the possibility of future price increases and they have worked their inventories down. Both number one and under grade cheese offerings are clearing well. This is not to say that supplies are tight. Many warehouse operations report being fuller than they have been at this time of year for quite a while. Cheese production is declining seasonally along normal patterns. June total cheese production for the U.S. reached 716.8 million pounds, up 0.6% from last year. The increase in total cheese production from a year ago is the smallest noted this year. Swiss output is 23.4 million pounds, up 5.8% from June 2003. High tier imports of cheese for the first six months of the year total 27.0 million pounds, 22% higher than the same period last year. Imports of cheese subject to licensing total 137.1 million pounds for the first six months of the year and are 15% higher than the previous year. Imports stand at 46% of the annual total limit.

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

Process 5# Loaf	:	1.6275-1.8875
Cheddar 40# Block	:	1.6325-1.9850
Cheddar 10# Cuts	:	1.8125-2.0325
Monterey Jack 10#	:	1.8225-1.9825
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are steady to higher and the market tone is unchanged. However, most distributors are gearing up for anticipated fall or school-year needs. As summer vacations come to a close, shopping habits get back to more normal levels and retail sales of imported and domestic cheeses start to improve. Supplies of most cheese are adequate to meet current 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	: 1.8725-3.3625*
Gorgonzola	:	3.6900-5.9400	: 2.3775-2.4900*
Parmesan (Italy)	:	TFEWR	: 3.2825-3.3925*
Romano (Italy)	:	2.1000-3.1500	: -0-
Provolone (Italy)	:	3.4400-5.5500	: 1.8825-2.1075*
Romano (Cows Milk)	:	-0-	: 3.0675-5.2425*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	2.9500-4.0900	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.4500-2.6500
Swiss Cuts Finnish	:	2.5900-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:	:	:
2 Pound	:	TFEWR	: -0-
4 Pound	:	2.1900-3.4500	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

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	93	0	46	0	38	0
SOUTHEAST STATES	0	0	0	0	0	0

The following are the July 2004 Class and component prices under the Federal Milk Order pricing system: Class II \$14.00 (down \$0.31 from June), Class III \$14.85 (down \$2.83); and Class IV \$13.31 (down \$0.41). The following are the product price averages used in computing Class prices: 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. Overall, milk production is holding surprisingly steady in most of the region. Milk output in the Southeast is showing more weather related declines, the milk flow in the Northeast is fairly steady as the weather there has been seasonally mild. Fat and protein tests are moving lower along seasonal patterns. Contacts continue to report that they are surprised that milk production is holding up as well as it is. Apparently, the high milk prices are keeping more cows in the milking herd and feeding regimes have been upgraded, which generally gets more milk out of the cows. Hurricane Alex caused some localized flooding and power outages along the Southeast Coast, specifically the Carolinas. Milk hauling and sales were temporarily disrupted. Milk supplies are adequate to ample for Class I needs. In the Southeast, some schools have already opened for the new school-year and by the third week of August, almost all schools will be back in session. Schools in the Northeast are, for the most part, on recess until after Labor Day. Florida's milk needs are increasing because of school re-openings and handler imports more than doubled last week's. These milk shipments are coming from Texas, Pennsylvania, and Michigan. Surplus milk volumes are lighter in most areas. The combination of the improved Grade A milk demand and lower production is taking its toll on volumes moving into manufacturing plants. The condensed skim market is steady with prices and demand unchanged. Class III condensed skim prices generally remain above a dollar and demand is limited. There is little spot interest from cheese makers for extra solids and if they do need solids, most are buying NDM. The fluid cream market is mixed, mostly firm. Spot demand varies from fair to good and supplies are in better balance. Offerings were tight early in the week, but adequate as the weekend approaches. Ice cream production is seasonally steady, but there have been some instances of producers looking at freezer stocks and adjusting production to better balance stocks with sales. Soft serve production and consumption is good. Cream cheese output is mostly steady as few reports regarding this product were noted this week. Churning activity is light to moderate.

many current varieties. Qualifying in August, at least under Federal Order #30 is also causing extra fluid tightness at some plants. Cream demand remains good from ice cream accounts though producers are trying to balance current orders with production and inventory. Overtime is becoming scarcer at more ice cream producers. Cream imports from the West continue to help balance current supplies with demand. Condensed skim demand remains light from Class III accounts due to the lower cost of NDM. Plant milk intakes continue to trend lower, as usual, more noticeably during warmer weather and rebounding part of the way back as temperatures moderate. Extended elevated temperatures have not yet occurred in the upper tier of states, keeping milk volumes higher than normally expected. The frequent showers have helped to elevate somatic cell counts for many producers. At least in Wisconsin, the sizeable share of the corn crop is at risk with not being mature by the average first killing frost for much of the state. So far, the 2004 growing season is the second coolest in over 40 years. In areas where the planting season was less stressful, crops reportedly are much better developed and bumper yields are expected.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JUL 29 - AUG 4	PREVIOUS YEAR
SLAUGHTER COWS	\$ 56.00- 61.00	\$ 46.00- 50.00
REPLACEMENT HEIFER CALVES	\$320.00-600.00	\$300.00-450.00

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

	JUL 29 - AUG 4	PREVIOUS YEAR
SLAUGHTER COWS	\$ 57.50- 66.00	\$ 48.00- 54.50

W E S T

The July 4a price (butter/powder) in CALIFORNIA is \$12.75, \$.55 lower than June but \$2.79 higher than last year. This compares to the Federal Order Class IV price for July at \$13.31. The July 4b price (cheese) is \$12.76, down \$3.59 from June but \$.17 higher than last year. This compares to the Federal Order Class III price for July at \$14.85. June 2004 POOL RECEIPTS of milk in CALIFORNIA total 2.89 billion pounds, 3.1% lower than last year. (The change is affected by milk volumes not being included in the pool receipts for June 2004.) The June blend price, at a fat test of 3.57%, is \$16.35, \$1.27 lower than May but \$6.32 higher than June 2003. The percentage of receipts used in Class 1 products is 14.43%. The June quota price is \$17.46 and the over quota price is \$15.76. These prices are \$1.23 lower than May but \$6.29 more than a year earlier. Conditions are markedly cooler over much of CALIFORNIA this week. A number of contacts are stating that milk is rebounding quite a bit from the heat reduced levels of the past few weeks. Plants are not sure if this is good news or bad news. Most manufacturing plants are still not all that excited about taking additional supplies of milk. Hay supplies in the region remain on the tight side for both dairy quality and feeder hay. Producers are happy to see grain prices falling rapidly over the past few weeks and they are getting some winter needs booked. Cream supplies in CALIFORNIA are tighter than in recent weeks. Multiples are a bit firmer, ranging from 124-132, FOB and vary depending on class usage and basing point. Temperatures in ARIZONA remain hot both day and night so the stress on the milking herd is bringing down the milk output. Conditions, however, are not as bad as is normally expected at this time of year. The humidity levels are less than normal for August so heat abatement measures are more effective. Temperatures are more moderate in the PACIFIC NORTHWEST this week which is reducing the stress on the milking herd. Not much rebound in output has been noted. Prices continue to be firm for good quality dairy hay. Harvesting conditions have meant that much of the hay harvested has lost quality and is closer to feeder quality. To further tighten the market, exporters are still searching for hay to meet their requirements. Conditions have cooled off a little this week in UTAH and IDAHO. The summer, overall, has been quite moderate. The same hay quality issues can be found here as is the case in much of the West this year. Some areas of the border region between the two states are having their irrigation water shut off this week. The six-year drought currently gripping Utah is being declared a disaster. On Tuesday, Gov. Olene Walker issued a "Declaration of Agricultural Disaster" for the state. She also sent a letter to U.S. Secretary of Agriculture Ann Veneman asking for relief for the state's agricultural community, which is expecting an estimated \$133 million hit to its bottom line as a result of the dry spell according to the *Salt Lake Tribune*.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.2791-2.4492
DELIVERED EQUIVALENT ATLANTA	-	2.2961-2.4662 M 2.3301-2.4151
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	2.2451-2.4151

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 demand was steady to just slightly improved through midweek despite lower prices in August. Handlers are reporting more interest in spot manufacturing milk, both for short and longer-term basis. An operation in upper tier of Midwest states started making shipments into the Southeast to supplement their local supplies. Manufacturing milk interest has improved and reported spot prices range from \$1.00 - \$2.00 net over class with the majority in August occurring at the upper end of the range. Manufacturing milk demand improved in August as plant operators realize that the reopening of schools will reduce milk availability. Cheese demand has also improved for

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 mixed on a steady to weak market. Supplies of NDM from CCC exchange programs are readily available. Aged 2 year old product is trading in the low 70's and 6-9 month old product is trading in the lower 80's. However, some buyers prefer fresh NDM supplies direct from the manufacturer and are consequently paying higher prices despite recent producer sales to the CCC at the price support of 80 cents. Production of NDM continues to trend higher than expected at this time of year. Compared to last week, production is lower due to hotter summer temperatures that reduce milk output and milk diversions into cheese and bottling plants. High heat supplies are in good balance with most movement occurring on a contractual basis.

EAST: Eastern prices are steady to higher. The base prices and higher premiums over that base for the largest NDM supplier in the U.S. moved NDM prices higher on August 1. However, producers not part of the supply organization did not change their prices. Eastern drying activity remains fairly brisk. Surplus milk supplies are a little heavier than contacts anticipated. This summer's weather has been mild and milk production has not dropped off appreciably. Output in the Southeast is lighter as more milk is now going into Class I channels. Producer stocks range from nicely balanced to long. Demand for current production is fair, but most spot purchases are made in the resale market. Powder once owned by CCC is still a major factor in the marketplace. Depending on age, this powder regularly sells between the low \$.70's and the low \$.80's. The impact this powder is having is evidenced, to a degree, by the increasing offers of Western and now Central NDM to CCC.

DAIRY PRODUCTS: Production of human food, nonfat dry milk during June 2004 totaled 143.0 million pounds, up 2.2% from June 2003 but 5.3% below May 2004. Month ending stocks, at 146.1 million pounds, are 21.7% above a year ago and 15.7% above than last month.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .9800 MOSTLY: .8700 - .8900
 HIGHHEAT: .9150 - 1.2000

NONFAT DRY MILK - WEST

Western low/medium heat prices are mixed with some increases noted within the range even while the overall range declined in price. Various types of powder from various sources continue to pressure this market. Some additional interest is again noted from cheese plants. They have been very quiet for the last few months and have even been offering some of their powder back onto the market. Last week, 753,972 pounds of NDM were offered to the government CCC program as a price support purchase. U.S. edible NDM production for June totals 143.0 million pounds, up 2.2% from a year ago. Stocks at the end of June total 146.1 million pounds, up 21.7% from last year. Cumulative output for the U.S. through six months has reached 782.5 million pounds, down 12.8% or 115.3 million pounds. That works out to a deficit of 4.4 million pounds per week for the first 26 weeks of the year compared to the same period last year. Output in the Western region in June totals 105.1 million pounds down 1.9% from June 2003. The Western region produces 73% of U.S. output. The high heat market is in close balance.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .8800 MOSTLY: .8200 - .8625
 HIGHHEAT: .8500 - 1.0100

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
July 30	\$.8462	21,917,440	599,595
July 23	\$.8258	7,101,031	725,130

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. Production is lighter in response to reduced milk intakes at some butter plants. Condensed buttermilk is clearing well on contracts into ice cream operations. Buttermilk producers are holding loads of dry buttermilk with confidence as significant increases in production are not anticipated until November. Distributors report that buttermilk trades are significantly lower compared to last year as their customer base appears to have switched away from buttermilk where possible. Production of dry buttermilk during June 2004 totaled 4.3 million pounds, 51.1% more than June 2003 but 21.6% below May 2004. Month ending stocks, at 4.0 million pounds, are 40.9% below a year ago and 15.5% lower than May 2004.

F.O.B. CENTRAL: 1.0500 - 1.1800

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Production is lighter as churning activity has slowed in the past two weeks. Northeastern prices are nominal and include resale loads. Spot demand remains slow to fair, mostly slow. Producer stocks are well balanced. Dry buttermilk production during June 2004 totaled 4.3 million pounds, up 51.1% from last June but 21.6% less than May 2004. Month ending stocks, at 4.0 million pounds, are 40.9% less than last year and 15.3% less than a month ago.

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

DRY BUTTERMILK - WEST

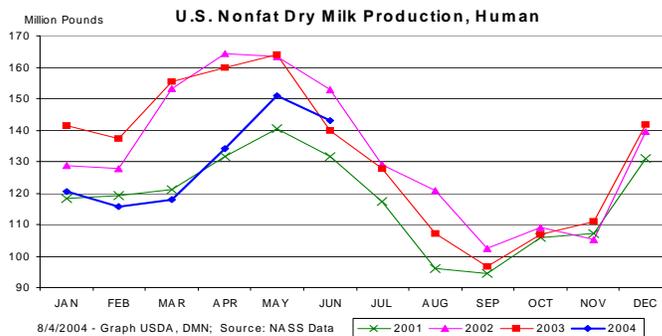
The Western buttermilk market is somewhat mixed with prices moving both higher and lower. There continues to generally be a firm undertone to the market, but some price resistance is noted. Offerings of buttermilk powder are balanced to short of trade needs. Production levels are low seasonally. June production of buttermilk powder for the U.S. totals 4.3 million pounds, up 51.1% from last year but down 21.6% from a month earlier. Even with this large increase in production compared to last year, stocks at the end of June total 4.0 million pounds which is down 40.9% from a year ago.

F.O.B. WEST: 1.0300 - 1.0650 MOSTLY: 1.0300 - 1.0400

DRY WHOLE MILK - NATIONAL

Prices are steady to lower within the range and prices remain nominal. The market tone remains weak. Spot demand is still slow. Competition from imported dry whole milk continues and offering prices are below the U.S. market. Production levels are lighter and often lower to avoid building inventories. Dry whole milk production during June 2004 totaled 2.4 million pounds, down 27.2% from last June and 24.1% less than May 2004.

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. Producers are reporting that supplies are difficult to clear. Export buyers expect that sales will improve at the end of the month when buyer stocks and milk supplies are somewhat reduced. Resellers offering supplies at the average or slightly lower are reporting price resistance. Domestic feed buyers are picking up a few spot loads. Many feed buyers report slow end-product sales and therefore light interest in Extra Grade whey. Production of human food, dry whey during June 2004 totaled 79.0 million pounds, 7.7% less than June 2003 and 4.0% below May 2004. Month ending stocks, at 35.8 million pounds, are 20.6% below a year ago but 6.5% more than May 2004.

F.O.B. CENTRAL: .2125 - .2375 MOSTLY: .2125 - .2325

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly lower. The market tone in the East is unchanged and, from a production and producer supply point of view, it is firm. However, demand remains lackluster. It is an unusual scenario that seems to be playing out in the dry whey market. Eastern production is lighter and most producers are sold out and some have cut contracts because of the light production. A cheese plant closing has further limited the availability of condensed whey. Central and Western producers continue to have ample product to offer and prices are moving lower at a faster than expected rate. Since Eastern prices are typically based on the Central States market, prices are falling in concert with them. Eastern producer may not have product to offer, but many resellers do have large inventory positions and the lower prices are a growing concern. Spot buyers are just waiting for prices to "hit bottom" before reentering the market. Production of human food, dry whey during June 2004 totaled 79.0 million pounds, 7.7% less than June 2003 and 4.0% less than May 2004. Month ending stocks, at 35.8 million pounds, are 20.6% below last year but 6.5% more than a month ago. Production of animal feed, dry whey during June totaled 7.6 million pounds, 11.2% more than a year ago but 7.0% below May 2004.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2375 - .2750
DELVD SOUTHEAST: .2550 - .2600

DRY WHEY - WEST

Western whey prices range from steady to fractionally lower. More contacts believe that a bottom is near and they are noting improved sales activity. Inventories that had been running ahead of needs for a number of weeks are coming into better balance. Some firms are seeing production levels decline seasonally. U.S. edible whey production in June totals 79.0 million pounds, down 7.7% from last year. Stocks at the end of the month are 35.8 million pounds, down 20.6% from a year earlier. Western region output in June totals 22.0 million pounds, down 5.5% from June 2003. The Western region produces about 28% of the U.S. edible whey output.

NONHYGROSCOPIC: .2050 - .2700 MOSTLY: .2100 - .2300

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged and nominal on a weak market. Trade activity is light as buyers await further price declines in the Extra Grade whey market before making additional purchases. Veal and early weaned pig prices are trending steady. Production of animal, dry whey during June 2004 totaled 7.6 million pounds, 11.2% more than June 2003 but 7.0% below May 2004. Month ending stocks, at 5.5 million pounds, are nearly 3 times higher (207.3%) levels from a year ago and 13.5% more than May 2004.

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

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower on a weak market. Trade activity is light. Some spot movement is reported into Mexico and domestic feed operations. Supplies of high protein WPC from Oceania and domestic producers are available at competitive prices. Production of WPC is generally steady with some decreases anticipated with reduced milk output and concerted efforts to reduce cheese production at some locations. Supplies of low protein WPC (33-33.9%) are trading at significant discounts to the market. Production of HUMAN FOOD WPC during June 2004 totaled 24.4 million pounds, up 6.1% from June 2003 but 2.5% below May 2004. Manufacturers' end-of-month stocks totaled 19.1 million pounds, 34.6% lower than a year ago but 5.4% above last month. Production of ANIMAL FEED WPC during June 2004 totaled 3.7 million pounds, up 17.1% from June 2003 and 1.0% above May 2004. Manufacturers' end-of-month stocks totaled 2.1 million pounds, 11.2% above last year and 19.1% higher than last month.

F.O.B. EXTRA GRADE 34% PROTEIN: .5700 - .6400 MOSTLY: .6100 - .6400

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Trade activity continues light. Producers' stocks are mixed with some plants reporting balanced supplies whereas others report supplies as heavier than desired. Export buyers state that U.S. manufacturer offers are heavy with producers encouraging buyers to "make a bid." In general, contracts finalized for third quarter are less than anticipated which may influence price and trade activity in the fourth quarter. Feed grade lactose is difficult to sell due to the competitively priced supplies of permeate that are readily available. Lactose production during June 2004 totaled 56.7 million pounds, up 17.8% from June 2003 but 2.1% lower than May 2004. Month ending stocks, at 63.5 million pounds, are 42.9% higher than a year ago and 14.5% above last month.

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

F.O.B. EDIBLE: .2000 - .2700 MOSTLY: .2200 - .2300

CASEIN - NATIONAL

Casein markets remain firm with prices basically unchanged. Producers and handlers indicate that supplies remain tight and limited. The new milk production season is just getting under way in Oceania, thus it is still too early for any new casein output from this region. Sources indicate that it will be September before new stocks are generated. In Europe, milk production continues to decline and casein producers are often scrambling for additional milk supplies. Suppliers are not overly optimistic about significant supply recovery for the balance of the calendar year and into 2005. Domestic buyers are often frustrated by the lack of supply for their needs. Some buyers are looking at alternative sources of protein, but find that their application does not work well with alternatives.

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. However, surplus milk supplies are starting to tighten in some areas. Demand is mostly steady. Plant inventories are adequate for current needs, but some producers feel that they will have to increase output in coming months to meet anticipated fall/winter needs. Canned evaporated milk production during June totaled 46.9 million pounds, 17.3% less than June 2003 but 1.0% more than May 2004. Month ending stocks, at 69.3 million pounds, are 9.0% less than a year ago but 25.0% above last month.

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

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

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	07/21	07/22	07/23	07/26	07/27	07/28	07/29	07/30	08/02	08/03
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JUL 04	14.69 (5631) 211	14.69 (5522) 175	14.83 (5522) 48	14.84 (5663) 52	14.84 (5697) 52	14.84 (5702) 205	14.84 (5354) 0	14.85		
AUG 04	14.25 (5390) 263	14.30 (5290) 241	14.25 (5284) 144	14.35 (5277) 255	14.20 (5292) 247	14.30 (5370) 210	14.37 (5359) 65	14.25 (5155) 323	14.27 (5140) 10	14.21 (5155) 63
SEP 04	15.34 (5123) 258	15.30 (5168) 196	15.33 (5232) 261	15.60 (5335) 339	15.56 (5332) 111	15.70 (5443) 407	15.88 (5426) 171	15.92 (5726) 534	16.02 (5707) 145	15.85 (5726) 466
OCT 04	14.20 (3239) 101	14.05 (3263) 36	14.06 (3234) 70	14.35 (3263) 211	14.41 (3268) 73	14.59 (3300) 127	14.79 (3387) 231	14.97 (3331) 217	15.15 (3332) 103	14.98 (3364) 197
NOV 04	13.00 (2182) 63	12.95 (2207) 25	12.90 (2240) 52	13.09 (2243) 37	13.11 (2341) 170	13.25 (2366) 64	13.35 (2367) 40	13.42 (2370) 16	13.45 (2379) 9	13.40 (2384) 14
DEC 04	12.55 (1861) 61	12.60 (1857) 21	12.55 (1860) 53	12.60 (1882) 39	12.58 (1971) 98	12.60 (1968) 37	12.61 (1973) 34	12.62 (1974) 15	12.61 (1975) 4	12.62 (1977) 12
JAN 05	12.56 (646) 12	12.40 (651) 10	12.39 (651) 0	12.34 (651) 6	12.34 (652) 1	12.30 (648) 30	12.30 (649) 5	12.30 (652) 3	12.40 (654) 6	12.30 (653) 6
FEB 05	12.45 (659) 12	12.35 (662) 3	12.35 (669) 17	12.34 (667) 2	12.34 (667) 0	12.32 (677) 12	12.32 (679) 24	12.30 (681) 7	12.30 (683) 5	12.35 (685) 4
MAR 05	12.50 (433) 13	12.35 (432) 47	12.35 (432) 0	12.30 (430) 2	12.30 (432) 2	12.25 (439) 48	12.29 (442) 7	12.20 (443) 3	12.25 (451) 8	12.25 (450) 6
APR 05	12.40 (335) 12	12.35 (334) 1	12.20 (334) 0	12.20 (336) 2	12.20 (336) 0	12.20 (336) 0	12.25 (341) 5	12.25 (341) 0	12.25 (344) 8	12.24 (346) 2
MAY 05	12.42 (276) 12	12.37 (278) 4	12.25 (278) 1	12.25 (279) 4	12.20 (279) 0	12.20 (279) 2	12.25 (283) 4	12.25 (284) 1	12.21 (283) 4	12.22 (288) 6
JUN 05	12.40 (241) 12	12.35 (241) 1	12.25 (241) 0	12.25 (241) 0	12.25 (242) 3	12.22 (242) 0	12.22 (243) 1	12.25 (243) 0	12.25 (243) 1	12.34 (243) 0
JUL 05	12.85 (92) 0	12.85 (92) 0	12.85 (92) 0	12.80 (92) 0	12.80 (92) 0	12.80 (93) 1	12.80 (94) 1	12.75 (95)46	12.75 (95) 0	12.84 (95) 0
AUG 05	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (86) 0	13.20 (89) 0	13.20 (86) 0
SEP 05	13.20 (72) 0	13.20 (72) 0	13.20 (72) 0	13.20 (72) 0	13.20 (72) 0	13.20 (73) 1	13.20 (73) 0	13.20 (73) 0	13.20 (73) 0	13.20 (73) 0
OCT 05	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0	12.65 (56) 0
NOV 05	12.35 (52) 3	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0	12.35 (52) 0
DEC 05	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0	12.35 (49) 0

CME - (CLASS IV) MILK FUTURES - Dollars per cwt.

JUL 04	13.75 (97) 0	13.75 (97) 0	13.75 (97) 0	13.75 (97) 0	13.75 (97) 0	13.75 (97) 0	13.75 (97) 0	13.31		
AUG 04	13.50 (77) 0	13.25 (77) 0	13.25 (77) 0	13.25 (77) 0	13.25 (77) 0	13.25 (77) 0	13.25 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0
SEP 04	13.30 (87) 0	13.00 (87) 0	13.00 (87) 0	13.00 (87) 0	13.00 (87) 0	13.00 (87) 0	13.00 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0
OCT 04	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.60 (19) 0	12.40 (21) 4	12.00 (21) 0
NOV 04	12.45 (59) 0	12.45 (64) 5	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0	12.20 (64) 0

CME - BUTTER FUTURES -- Cents per pound

JUL 04	163.00									
SEP 04	165.50 (331) 0	165.50 (329) 3	166.00 (328) 5	166.00 (328) 1	166.00 (325) 7	170.00 (325) 0	169.95 (319) 45	167.50 (318) 5	162.50 (295) 4	159.50 (293) 7
OCT 04	164.00 (110) 0	164.00 (111) 2	166.00 (111) 5	165.50 (112) 1	164.50 (116) 6	168.50 (117) 4	168.00 (153) 41	167.50 (152) 1	162.50 (152) 2	158.75 (162) 10
DEC 04	149.00 (70) 0	149.00 (70) 0	149.00 (70) 0	149.00 (70) 0	149.00 (71) 2	152.00 (71) 0	152.00 (71) 0	152.00 (71) 0	150.00 (71) 2	146.00 (73) 8
MAR 05	149.00 (37) 0	149.00 (37) 0	150.00 (37) 0	150.00 (37) 0	150.00 (37) 0	152.00 (38) 1	152.00 (38) 0	152.00 (38) 0	152.00 (40) 2	149.00 (45) 6
MAY 05	149.00 (27) 0	149.00 (27) 0	150.67 (27) 0	150.67 (27) 0	150.67 (27) 0	152.00 (28) 1	152.00 (28) 0	152.00 (28) 0	152.00 (30) 2	149.00 (35) 6

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered July 26 - August 6, 2004

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

WESTERN AND EASTERN EUROPE

WESTERN EUROPE OVERVIEW: Milk production in Europe continues to edge lower. In recent days, hot temperatures have caused some milk handlers to project that milk volumes will decline at a faster rate, adding to already tighter milk supplies. Up to this point, milk production has lagged last year and these high temperatures will potentially further limit volumes for manufacturing purposes. Manufacturing schedules are now starting to adjust to the lower milk volumes and diversions of the milk flow from one product to another are being reported. In instances, milk is being directed toward cheese output and away from powders and other manufactured dairy products. Stocks of most dairy products are available for both domestic and international buyer interest. Traders and handlers state that sales negotiations are quiet. Buyers are hesitant to purchase at current price levels. Some traders feel that prices may be at or very near peak levels and maybe lower prices would stimulate renewed sales activity. Offerings of skim milk powder to intervention have basically ceased and this program is scheduled to close by the end of the month. Offerings to intervention this year are sharply lower than last year when the 109,000 MT ceiling was reached and a tendering system was introduced for additional volumes. Lower offerings this year are being attributed to a healthier market which was able to absorb the available offerings, overall lower production, and producers were more willing to hold onto the product themselves versus offer to intervention. During the most recent Dairy Management Committee meeting on July 29, no adjustments were reported in export refunds for manufactured dairy products, but they did accept bids for skim milk powder and butter under the tendering system at higher levels. They accepted bids for nearly 12,300 MT of skim milk powder at 340 Euros per MT and nearly 9,600 MT of butter at 1,420 Euros per MT.

BUTTER/BUTTEROIL: European butter markets are steady to firm. Production is seasonally active although cream and milk supplies are declining. In instances, milk is being diverted away from butter/powder toward other manufactured dairy products. Stocks of butter are available, although many producers and handlers would desire additional volumes for upcoming fall and winter needs. Most current sales are centering around internal or domestic needs.

82% BUTTERFAT: 2,000 - 2,160
99% BUTTERFAT: 2,100 - 2,400

SKIM MILK POWDER (SMP): Skim milk powder markets are unsettled, although prices are unchanged to slightly higher. Some traders feel that prices might be at or very near peak levels. Many indicate that buyers are reluctant to pay the higher asking prices thus weakness might be in the future to stimulate possible sales. Stocks of powder are available for both domestic and international needs. At the most recent Dairy Management Committee meeting on June 29, nearly 12,300 MT of skim milk powder received refund of 340 Euros per MT. This refund was higher than recent acceptances.

1.25% BUTTERFAT: 2,150 - 2,225

WHOLE MILK POWDER (WMP): European whole milk powder markets are generally steady at unchanged prices. Milk production is declining seasonally in Europe and recent high temperatures could cause accelerated declines. Due to lower milk volumes and diversions of milk away from milk powders, drying schedules are often declining at a faster rate. At this point, traders and handlers indicate that stocks are available for domestic and international buyer needs. Often prices are higher than buyers are willing to pay, thus international sales are slow.

26% BUTTERFAT: 2,250 - 2,350

SWEET WHEY POWDER: Whey powder markets are steady with prices basically unchanged. Milk production is declining seasonally although cheese production is quite active. When possible, milk is being diverted toward cheese plants, thus whey volumes should become more available. At this point, whey prices are holding steady, but some suppliers and traders feel that a down turn in prices might be in the near future. Often, buyers are hesitant due to higher than desired asking prices.

NONHYGROSCOPIC: 500 - 550

EASTERN EUROPE OVERVIEW: Eastern European milk production continues to edge lower seasonally. Milk volumes in the region of Europe are lower than last year at this time, but not as significant as in Western regions. Milk volumes are sufficient to maintain steady production schedules at most manufacturing facilities. Stocks of product are available for buyer interest. At this point, international sales are reported as light. Traders in some of the countries that joined the EU in May are realizing a slow down in sales potentially due to the new guidelines that need to be followed versus previously.

OCEANIA

OCEANIA OVERVIEW: August has arrived and reports from both Australia and New Zealand indicate that the new milk production season is gaining momentum. In New Zealand, it is still too early to get a good feel on overall production trends, although plants are being readied and often resuming processing schedules as milk volumes increase. In Australia, much of the same is occurring, but not quiet as active as in New Zealand. In both countries, early reports indicate that milk volumes seem to be stronger at this time than last season. Producers and handlers remain very optimistic about the new milk production season. In New Zealand, cooler temperatures are slowing pasture growth. The recent heavy rainfall and flooding in some dairy producing areas continue to hamper farmers. In instances, non flooded producers would help flooded producers by allowing their herds to graze on their non flooded pastures, but are now realizing that the pasture recovery is not occurring as rapidly as desired. Producers are hopeful that temperatures will warm soon which will dry flooded paddocks and encourage better grass growth. Stocks of manufactured dairy products in Oceania remain in close balance and often are referred to as tight. Most handlers feel that they will be able to acknowledge their previous commitments with existing stocks. As the new season resumes and new products are generated, much of this output is already committed. Potentially, with stronger than usual milk flow occurring at this time, some manufacturers and handlers are hopeful that they will be able to build stock levels during the first half of the season above demand. Sales out of the region during the next few months are scheduled to be quite active, although buyers are often voicing their displeasure in the higher prices.

BUTTER: Oceania butter markets remain firm with prices generally unchanged. Stocks of butter remain quite limited with shipments being filled from inventoried stocks. The new milk production season is just getting underway thus there is limited volumes of new production at this time. Handlers and traders indicate that they will basically not have any old season production available for spot buyer interest and much of the new production has already been committed. Traders and handlers do not foresee much change in the supply situation for the near term, thus limited supplies for spot needs are being reported.

82% BUTTERFAT: 1,700 - 2,000

CHEDDAR CHEESE: Cheese markets are firm with prices unchanged to higher. Some traders indicate that buyers are resisting prices at the top end of the range with some traders hearing of prices as high as \$2,850. Stocks of cheese are generally sufficient for commitments with new production soon to resume. The 2004 - 05 milk production season is just getting underway in Oceania, thus cheese output remains light at this time.

39% MAXIMUM MOISTURE: 2,650 - 2,800

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are steady at unchanged prices. New product is starting to be generated in both Australia and New Zealand. As milk volumes increase, plants are reopening for the season in both countries. Usually, milk powders are the first products to resume production and this year is no different. At this point, much of the new season output is fully committed, thus orders are being filled with current and last season's production. Milk volumes seem to be a little heavier for this early time of the season, thus producers and manufacturers are hopeful that they will be able to build some inventory above and beyond demand.

1.25% BUTTERFAT: 2,000 - 2,200

WHOLE MILK POWDER (WMP): Whole milk powder markets are steady at firm levels. Milk production in Oceania is resuming for the season. Manufacturing plants are reopening as the milk flow increases, thus powder production is on the rise. Traders and handlers indicate that stocks from last season will be minimal thus new production will be entering nearly empty warehouses. Much of the early season production has been fully committed, thus no significant volumes of whole milk powder are being reported or are anticipated to be available for spot buyer interest for the near term.

26% BUTTERFAT: 2,000 - 2,200

Exchange rates for selected foreign currencies: AUGUST 2, 2004

.7508 Canadian Dollar	.0216 Indian Rupee
.3348 Argentina Peso	.6420 New Zealand Dollar
.0877 Mexican Peso	.7044 Australian Dollar
.2737 Polish Zloty	.0090 Japanese Yen
	1.2031 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0877)= 11.4025. That is 1 US Dollar equals 11.4025 Mexican Pesos. Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR JULY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 26	REPORT NUMBER 27	REPORT NUMBER 28	REPORT NUMBER 29	REPORT NUMBER 30	2004	2003
	JUL 01 - 02	JUL 05 - 09	JUL 12 - 16	JUL 19 - 23	JUL 26 - 30	or Total	or Total
CHEESE							
WISCONSIN (WSP, Delivered, LTL)							
— Process American 5# Loaf	:: 1.8075 - 2.4000	:: 1.5850 - 2.1900	:: 1.5450 - 2.1900	:: 1.5825 - 2.1900	:: 1.6250 - 2.1900	:: 1.9069	: 1.6610
— Brick And/Or Muenster 5#	:: 2.3075 - 2.3800	:: 2.0775 - 2.1700	:: 2.0175 - 2.1700	:: 2.0900 - 2.1700	:: 2.1325 - 2.1700	:: 2.1446	: 1.9409
— Cheddar 40# Block	:: 2.0050 - 2.2800	:: 1.7750 - 2.2650	:: 1.7150 - 2.2650	:: 1.7875 - 2.2650	:: 1.8300 - 2.2650	:: 2.0320	: 1.8870
— Monterey Jack 10#	:: 2.2475 - 2.4500	:: 2.0175 - 2.2650	:: 1.9575 - 2.2650	:: 2.0300 - 2.2650	:: 2.0725 - 2.2650	:: 2.1610	: 2.0405
— Blue 5#	:: 2.4025 - 3.0900	:: 2.1725 - 2.8900	:: 2.1125 - 2.8900	:: 2.1850 - 2.8900	:: 2.2275 - 2.8900	:: 2.5516	: 2.3226
— Mozzarella 5 - 6#	:: 1.9500 - 2.3650	:: 1.7200 - 2.3650	:: 1.6600 - 2.3650	:: 1.7325 - 2.3650	:: 1.7750 - 2.3650	:: 2.0538	: 1.9570
— Grade A Swiss Cuts 6 - 9#	:: 2.3475 - 2.8300	:: 2.3475 - 2.9500	:: 2.3475 - 2.9500	:: 2.3475 - 2.9500	:: 2.3475 - 2.9500	:: 2.6433	: 2.3493
NORTHEAST (WSP, Delivered, LTL)							
— Cheddar 10# Prints	:: 1.7200 - 2.2350	:: 1.4900 - 2.0050	:: 1.4300 - 1.9450	:: 1.5025 - 2.0175	:: 1.5450 - 2.0600	:: 1.7701	: 1.7626
— Cheddar Single Daisies	:: 1.6775 - 2.1525	:: 1.4475 - 1.9225	:: 1.3875 - 1.8625	:: 1.4600 - 1.9350	:: 1.5025 - 1.9775	:: 1.7076	: 1.7051
— Cheddar 40# Block	:: 1.7925 - 2.0525	:: 1.5625 - 1.8225	:: 1.5025 - 1.7625	:: 1.5750 - 1.8350	:: 1.6175 - 1.8775	:: 1.7151	: 1.7140
— Process 5# Loaf	:: 1.8375 - 2.0425	:: 1.6175 - 1.8225	:: 1.5750 - 1.7800	:: 1.6125 - 1.8200	:: 1.6550 - 1.8625	:: 1.7383	: 1.7207
— Process 5# Sliced	:: 1.8575 - 2.1000	:: 1.6375 - 1.8800	:: 1.5950 - 1.8375	:: 1.6325 - 1.8775	:: 1.6750 - 1.9200	:: 1.7770	: 1.7643
— Muenster	:: 1.8925 - 2.0950	:: 1.6625 - 1.8650	:: 1.6025 - 1.8050	:: 1.6750 - 1.8775	:: 1.7175 - 1.9200	:: 1.7864	: 1.7801
— Grade A Swiss Cuts 10 - 14#	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.4500 - 2.6500	:: 2.5500	: 2.4500
WEST COAST (WSP, Delivered, LTL)							
— Process 5# Loaf	:: 1.7775 - 2.0375	:: 1.5575 - 1.8175	:: 1.5150 - 1.7750	:: 1.5550 - 1.8150	:: 1.5975 - 1.8575	:: 1.7064	: 1.6886
— Cheddar 40# Block	:: 1.7750 - 2.1275	:: 1.5450 - 1.8975	:: 1.4850 - 1.8375	:: 1.5575 - 1.9100	:: 1.6000 - 1.9525	:: 1.7439	: 1.7169
— Cheddar 10# Cuts	:: 1.9550 - 2.1750	:: 1.7250 - 1.9450	:: 1.6650 - 1.8850	:: 1.7375 - 1.9575	:: 1.7800 - 2.0000	:: 1.8576	: 1.8701
— Monterey Jack 10#	:: 1.9650 - 2.1250	:: 1.7350 - 1.8950	:: 1.6750 - 1.8350	:: 1.7475 - 1.9075	:: 1.7900 - 1.9500	:: 1.8376	: 1.8501
— Grade A Swiss Cuts 6 - 9#	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.4500 - 2.8700	:: 2.6600	: 2.3455
FLUID PRODUCTS							
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)							
— Northeast - f.o.b	:: 2.4981 - 2.7820	:: 2.4473 - 2.6920	:: 2.4197 - 2.6803	:: 2.2979 - 2.4719	:: 2.2033 - 2.3703	:: 2.4653	: 1.6860
— Atlanta - dlvd. equiv.	:: 2.5170 - 2.7631	:: 2.4849 - 2.7108	:: 2.4569 - 2.6803	:: 2.3153 - 2.5068	:: 2.2367 - 2.4036	:: 2.4895	: 1.6936
— Upper Midwest - f.o.b	:: 2.5549 - 2.6117	:: 2.5414 - 2.6355	:: 2.4197 - 2.6058	:: 2.2630 - 2.4371	:: 2.2033 - 2.3703	:: 2.4480	: 1.6837
PRICES OF CONDENSED SKIM - NORTHEAST (\$ per lb. wet solids) - f.o.b.							
— Class II	:: 0.9200 - 0.9500	:: 0.9200 - 0.9600	:: 0.9200 - 0.9600	:: 0.9150 - 0.9600	:: 0.9150 - 0.9550	:: 0.9378	: 0.8900
— Class III	:: 1.2800 - 1.3700	:: 1.2700 - 1.3300	:: 0.9700 - 1.0300	:: 0.9700 - 1.0300	:: 0.9700 - 1.0200	:: 1.0966	: 0.9359
NATIONAL EVAPORATED MILK (\$ per Case)							
(Case - 48 - 12 fluid oz cans)							
— Delivered Major U.S. Cities	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 22.0000 - 30.0000	:: 26.0000	: 24.4318

MONTHLY SUMMARY AND AVERAGES FOR JULY 2004 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	:REPORT NUMBER 26		:REPORT NUMBER 27		:REPORT NUMBER 28		:REPORT NUMBER 29		:REPORT NUMBER 30		2004	2003
	:-----:		:-----:		:-----:		:-----:		:-----:		Average	Average
	JUL 01 - 02	JUL 05 - 09	JUL 12 - 16	JUL 19 - 23	JUL 26 - 30	or Total	or Total					
DRY PRODUCTS												
NONFAT DRY MILK												
— Central And East (f.o.b.)												
— Low/Medium Heat	:: 0.8575 - 0.9800	:: 0.8575 - 0.9800	:: 0.8575 - 0.9800	:: 0.8575 - 0.9800	:: 0.8575 - 0.9800	:: 0.9188	: 0.8419					
— Mostly	:: 0.8800 - 0.9100	:: 0.8700 - 0.9100	:: 0.8700 - 0.9000	:: 0.8700 - 0.9000	:: 0.8700 - 0.8900	:: 0.8859	: 0.8292					
— High Heat	:: 0.9050 - 1.2000	:: 0.9050 - 1.2000	:: 0.9050 - 1.2000	:: 0.9050 - 1.2000	:: 0.9050 - 1.2000	:: 1.0525	: 0.8945					
— West (f.o.b.)												
— Low/Medium Heat	:: 0.8300 - 0.8900	:: 0.8000 - 0.8800	:: 0.8000 - 0.8800	:: 0.7950 - 0.8900	:: 0.8000 - 0.8900	:: 0.8435	: 0.8391					
— Mostly	:: 0.8400 - 0.8600	:: 0.8300 - 0.8625	:: 0.8300 - 0.8625	:: 0.8200 - 0.8625	:: 0.8200 - 0.8625	:: 0.8443	: 0.8015					
— High Heat	:: 0.8700 - 1.0600	:: 0.8600 - 1.0000	:: 0.8600 - 1.0000	:: 0.8600 - 0.9900	:: 0.8600 - 1.0100	:: 0.9332	: 0.8341					
WHEY POWDER (Nonhygroscopic)												
— Central (f.o.b.)	:: 0.2600 - 0.2875	:: 0.2500 - 0.2750	:: 0.2400 - 0.2700	:: 0.2350 - 0.2600	:: 0.2250 - 0.2500	:: 0.2527	: 0.1558					
— Mostly	:: 0.2600 - 0.2800	:: 0.2575 - 0.2700	:: 0.2500 - 0.2625	:: 0.2350 - 0.2550	:: 0.2300 - 0.2350	:: 0.2513	: 0.1538					
— West (f.o.b.)	:: 0.2200 - 0.3000	:: 0.2150 - 0.2850	:: 0.2150 - 0.2800	:: 0.2100 - 0.2700	:: 0.2100 - 0.2700	:: 0.2458	: 0.1535					
— Mostly	:: 0.2300 - 0.2600	:: 0.2300 - 0.2450	:: 0.2250 - 0.2400	:: 0.2200 - 0.2350	:: 0.2100 - 0.2300	:: 0.2308	: 0.1515					
— Northeast (f.o.b.)	:: 0.2850 - 0.3175	:: 0.2750 - 0.3125	:: 0.2675 - 0.3050	:: 0.2575 - 0.2900	:: 0.2475 - 0.2850	:: 0.2819	: 0.1631					
— Southeast (Delvd)	:: 0.2950 - 0.3075	:: 0.2900 - 0.2950	:: 0.2850 - 0.2900	:: 0.2750 - 0.2850	:: 0.2700 - 0.2750	:: 0.2848	: 0.1830					
WHEY PROTEIN CONCENTRATE												
— Central And West (f.o.b.)												
— Extra Grade 34% Protein	:: 0.6350 - 0.6750	:: 0.6350 - 0.6700	:: 0.6350 - 0.6700	:: 0.6350 - 0.6650	:: 0.5950 - 0.6550	:: 0.6459	: 0.4347					
— Mostly	:: 0.6450 - 0.6650	:: 0.6450 - 0.6650	:: 0.6450 - 0.6650	:: 0.6450 - 0.6650	:: 0.6250 - 0.6550	:: 0.6516	: 0.4127					
ANIMAL FEED - WHEY												
— Central (f.o.b.)												
— Milk Replacer	:: 0.2200 - 0.2500	:: 0.1600 - 0.2300	:: 0.1600 - 0.2300	:: 0.1900 - 0.2200	:: 0.1900 - 0.2200	:: 0.2032	: 0.1426					
BUTTERMILK (Min. 30% protein)												
— Central (f.o.b.)	:: 1.0775 - 1.2700	:: 1.0350 - 1.2700	:: 1.0350 - 1.2700	:: 1.0350 - 1.1800	:: 1.0500 - 1.1800	:: 1.1357	: 0.7728					
— West (f.o.b.)	:: 1.0200 - 1.0650	:: 1.0200 - 1.0650	:: 1.0200 - 1.0650	:: 1.0200 - 1.0650	:: 1.0200 - 1.0650	:: 1.0425	: 0.7281					
— Mostly	:: 1.0200 - 1.0500	:: 1.0200 - 1.0500	:: 1.0200 - 1.0500	:: 1.0200 - 1.0500	:: 1.0200 - 1.0500	:: 1.0350	: 0.7248					
— Northeast (f.o.b.)	:: 1.0000 - 1.1900	:: 1.0000 - 1.1900	:: 1.0000 - 1.1500	:: 0.9875 - 1.0900	:: 0.9875 - 1.0900	:: 1.0649	: 0.7073					
— Southeast (Delvd)	:: 0.9800 - 1.2000	:: 0.9800 - 1.2000	:: 1.0300 - 1.1700	:: 1.0100 - 1.1500	:: 1.0100 - 1.1500	:: 1.0877	: 0.7289					
WHOLE MILK POWDER												
— National (f.o.b.)	:: 1.3800 - 1.5000	:: 1.3350 - 1.4800	:: 1.3350 - 1.4800	:: 1.2850 - 1.4800	:: 1.2850 - 1.4500	:: 1.3957	: 1.0940					
LACTOSE												
— Central And West (f.o.b.)	:: 0.2200 - 0.2700	:: 0.2100 - 0.2700	:: 0.2100 - 0.2700	:: 0.2100 - 0.2700	:: 0.2100 - 0.2700	:: 0.2405	: 0.2141					
— Mostly	:: 0.2300 - 0.2450	:: 0.2200 - 0.2450	:: 0.2200 - 0.2400	:: 0.2200 - 0.2300	:: 0.2200 - 0.2300	:: 0.2290	: 0.1905					
CASEIN - Edible - National (f.o.b.)												
— Nonrestricted - Rennet	:: 2.4500 - 2.6800	:: 2.4500 - 2.6800	:: 2.4500 - 2.7500	:: 2.5500 - 2.8000	:: 2.5500 - 2.8000	:: 2.6230	: 2.0716					
— Nonrestricted - Acid	:: 2.4500 - 2.7000	:: 2.4500 - 2.7000	:: 2.4500 - 2.7000	:: 2.5500 - 2.8500	:: 2.5500 - 2.8500	:: 2.6318	: 2.0432					

1/ Prices for all products are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR JULY 2004

COMMODITY	:REPORT NUMBER 26:		:REPORT NUMBER 27:		:REPORT NUMBER 28:		:REPORT NUMBER 29:		:REPORT NUMBER 30:		2004 *	2003 *
	: JUL 1 - 2		: JUL 6 - 9		: JUL 12 - 16		: JUL 19 - 23		: JUL 26 - 30		: Monthly	: Monthly
											: Average	: Average
BUTTER*												
-- GRADE AA												
--Monday	::	::	#	::	1.8625	::	1.6600	::	1.7050	::	:	:
--Tuesday	::	::		::		::		::		::	:	:
--Wednesday	::	::	1.8600	::	1.7000	::	1.6575	::	1.7075	::	:	:
--Thursday	::	::		::		::		::		::	:	:
--Friday	::	1.8950	1.8625	::	1.6600	::	1.6900	::	1.6900	::	1.7458	1.1985
--Weekly Average**	::	1.8825	1.8613	::	1.7408	::	1.6692	::	1.7008	::	:	:
CHEESE*												
-- BARRELS												
--Monday	::	::	#	::	1.3675	::	1.4300	::	1.4500	::	:	:
--Tuesday	::	::	1.3825	::	1.3675	::	1.4500	::	1.4600	::	:	:
--Wednesday	::	::	1.3575	::	1.4200	::	1.4500	::	1.4900	::	:	:
--Thursday	::	1.4125	1.3575	::	1.4300	::	1.4500	::	1.4900	::	:	:
--Friday	::	1.3825	1.3575	::	1.4300	::	1.4500	::	1.4900	::	1.4226	1.4668
--Weekly Average**	::	1.4060	1.3638	::	1.4030	::	1.4460	::	1.4760	::	:	:
-- 40# BLOCKS												
--Monday	::	::	#	::	1.4050	::	1.4700	::	1.4800	::	:	:
--Tuesday	::	::	1.3700	::	1.4050	::	1.4800	::	1.4900	::	:	:
--Wednesday	::	::	1.3600	::	1.4500	::	1.4800	::	1.5200	::	:	:
--Thursday	::	1.4400	1.3600	::	1.4600	::	1.4800	::	1.5300	::	:	:
--Friday	::	1.4100	1.3600	::	1.4600	::	1.4800	::	1.5300	::	1.4486	1.5123
--Weekly Average**	::	1.4220	1.3625	::	1.4360	::	1.4780	::	1.5100	::	:	:
NONFAT DRY MILK*												
-- EXTRA GRADE												
--Monday	::	::	#	::	0.9200	::	0.8500	::	0.8500	::	:	:
--Tuesday	::	::	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Wednesday	::	::	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Thursday	::	0.9200	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Friday	::	0.9200	0.9200	::	0.8500	::	0.8500	::	0.8500	::	0.8733	0.8400
--Weekly Average**	::	0.9200	0.9200	::	0.8640	::	0.8500	::	0.8500	::	:	:
-- GRADE A												
--Monday	::	::	#	::	0.9200	::	0.8500	::	0.8500	::	:	:
--Tuesday	::	::	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Wednesday	::	::	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Thursday	::	0.9200	0.9200	::	0.8500	::	0.8500	::	0.8500	::	:	:
--Friday	::	0.9200	0.9200	::	0.8500	::	0.8500	::	0.8500	::	0.8733	0.8400
--Weekly Average**	::	0.9200	0.9200	::	0.8640	::	0.8500	::	0.8500	::	:	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.
 ** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.
 # No trading CME was closed.

JULY AGRICULTURAL PRICES HIGHLIGHTS

The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in July 2004 was unchanged at 134. Compared with July 2003, the index was up 7 points (5.5 percent). The index of prices received by farmers for dairy products declined 15 points during the month of July 2004 to 124. Compared with July 2003, the index was up 31 points (33.3 percent).

Prices received by farmers in July 2004 with changes from June 2004 were: for All Milk, \$16.20 per hundredweight (cwt.), down \$2.00; for Fluid Grade Milk, \$16.20 per cwt., down \$2.10; and for Manufacturing Grade Milk, \$14.90 per cwt., down \$2.00.

SELECTED MILK PRICES, COWS AND DAIRY FEED PRICES, SELECTED STATES AND U.S., JULY 2004 WITH COMPARISONS

STATE	All-milk price <u>1/</u> <u>3/</u>				Milk cows <u>5/</u>		Cows <u>6/</u>		All hay baled <u>7/</u>	
	Dollars per cwt.		Dollars per cwt.		Dollars per head		Dollars per cwt.		Dollars per ton	
	JUNE		JULY		JULY		JULY		JULY	
	2004	2003 <u>2/</u>	2004 <u>4/</u>	2003 <u>2/</u>	2004 <u>4/</u>	2003 <u>2/</u>	2004 <u>7/</u>	2003 <u>8/</u>	2004	2003
CA	16.30	9.99	14.30	11.52	1,700	1,230	53.00	44.50	110.00	86.00
ID	15.90	10.10	14.40	11.90	1,850	1,400	52.00	42.40	102.00	84.00
MI	19.00	11.10	16.50	12.00	1,800	1,350	55.00	44.00	84.00	89.00
MN	18.40	11.00	16.50	12.80	1,570	1,300	60.00	49.80	65.00	65.00
NM	17.40	10.40	16.90	11.40	1,830	1,380	58.40	46.00	116.00	140.00
NY	19.70	11.80	17.00	12.30	1,620	1,250	---	---	116.00	122.00
PA	20.70	12.50	18.80	13.00	1,750	1,300	53.50	44.00	120.00	142.00
TX	18.90	11.50	17.40	12.40	1,800	1,380	53.50	42.20	80.00	84.00
WA	18.30	11.00	16.40	11.40	1,900	1,350	---	---	103.00	107.00
WI	18.30	11.20	15.30	12.60	1,700	1,330	57.10	45.50	84.00	56.00
U.S.	18.20	11.00	16.20	12.10	1,720	1,310	55.90	44.90	90.40	89.00

1/ Prices are shown at reported butterfat test. 2/ Partially revised. 3/ Before deductions for hauling. Includes quality, quantity, and other premiums. Excludes hauling subsidies. 4/ Preliminary. 5/ Animals sold for dairy herd replacement only. 6/ Beef cows and cull dairy cows sold for slaughter. 7/ Mid-month price. 8/ Entire month.

MILK AND OTHER GENERAL PRICE MEASURES, U.S., JULY 2004 WITH COMPARISONS

ITEM	JULY 2003	JUNE 2004 <u>2/</u>	JULY 2004 <u>3/</u>
PRICES RECEIVED BY FARMERS , dol. per cwt., at reported butterfat test:			
All milk	12.10	18.20	16.20
Fluid grade milk	12.10	18.30	16.20
Manufacturing grade milk	11.80	16.90	14.90
INDEX NUMBERS (1990-92=100):			
Prices received by farmers for all farm products	105	128	122
Prices received by farmers for dairy products	93	139	124
Prices paid by farmers for commodities and services, interest taxes, and wage rates	127	134	134
Prices paid by farmers for production items	123	132	131
Prices paid by farmers for feed	111	126	118
MILK FEED PRICE RATIO: Pounds of 16% Mixed Dairy Feed equal in value to one pound of milk <u>3/</u>	2.60	3.12	3.05

1/ Partially revised. 2/ Preliminary. 3/ For this data series, the price of the commercial prepared feed is based on current U.S. prices received for corn, soybeans, and alfalfa hay and whole wheat.

SOURCE: "Agricultural Prices," Pr 1 (7-04), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

JUNE 2004 DAIRY PRODUCTS HIGHLIGHTS

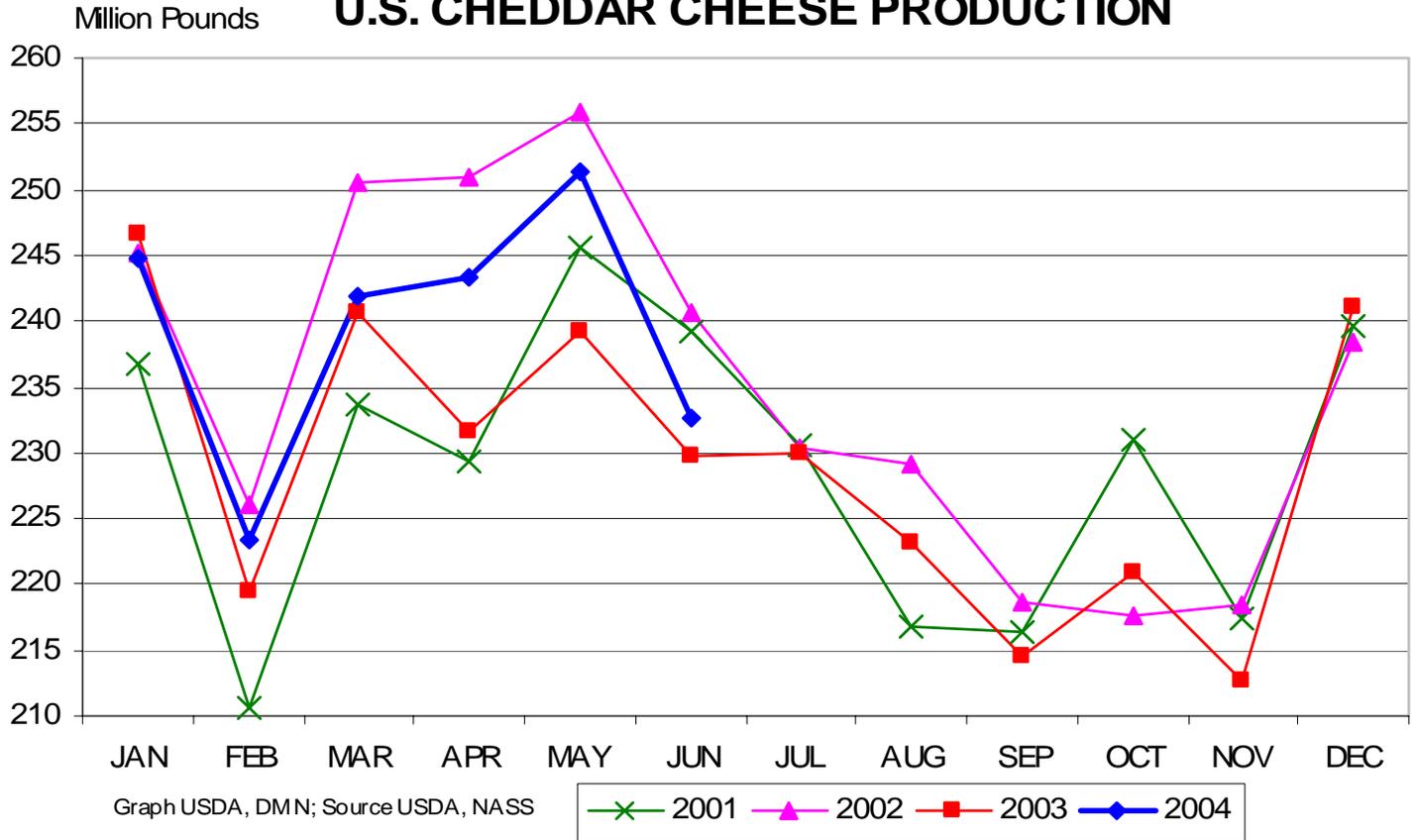
BUTTER production was 97.0 million pounds in June, 15.2 percent above June 2003 but 9.0 percent below May 2004. **AMERICAN TYPE CHEESE** production totaled 309.8 million pounds, 1.6 percent above June 2003 but 6.7 percent below May 2004. **TOTAL CHEESE** output (excluding cottage cheese) was 716.8 million pounds, 0.6 percent above June 2003 but 4.2 percent below May 2004. **NONFAT DRY MILK** production, for human food, totaled 143.0 million pounds, 2.2 percent above June 2003 but 5.3 percent below May 2004. **DRY WHEY** production, for human food, was 79.0 million pounds, 7.7 percent below June 2003 and 4.0 percent below May 2004. **ICE CREAM** (hard) production totaled 85.8 million gallons, 1.2 percent above June 2003 and 14.2 percent above May 2004.

PRODUCTION OF DAIRY PRODUCTS									
PRODUCT	JUN 2004	PERCENT CHANGE FROM:			PRODUCT	JUN 2004	PERCENT CHANGE FROM:		
	1,000 LBS.	JUN 2003	MAY 2004	YEAR TO DATE 1/		1,000 LBS.	JUN 2003	MAY 2004	YEAR TO DATE 1/
BUTTER	96,986	15.2	-9.0	-11.7	SOUR CREAM	78,583	-2.0	3.4	---
CHEESE					YOGURT (PLAIN AND FLAVORED)	229,396	12.1	3.9	---
AMERICAN TYPES 2/	309,799	1.6	-6.7	2.8	CONDENSED WHEY, SOLIDS CONTENT 6/				
CHEDDAR	232,722	1.3	-7.4	2.1	SWEET-TYPE, HUMAN FOOD	7,646	-14.4	-8.0	---
SWISS	23,439	5.8	-3.3	---	DRY WHEY PRODUCTS				
BRICK & MUENSTER	6,395	-14.9	7.5	---	DRY WHEY, HUMAN FOOD	78,975	-7.7	-4.0	---
CREAM & NEUFCHATEL	50,559	-3.1	1.0	---	DRY WHEY, ANIMAL FEED	7,624	11.2	-7.0	---
HISPANIC	11,092	2.1	13.0	---	DRY WHEY, TOTAL	86,599	-6.3	-4.3	-5.1
MOZZARELLA	235,830	-0.4	-3.6	5.6	REDUCED LACTOSE AND MINERALS				
OTHER ITALIAN TYPES	57,005	1.3	-1.6	4.5	HUMAN FOOD	2,922	-14.0	-3.1	---
TOTAL ITALIAN TYPES	292,835	-0.1	-3.2	5.4	ANIMAL FEED 7/	3,838	17.8	1.3	---
ALL OTHER TYPES	22,664	5.3	-5.2	---	LACTOSE, HUMAN FOOD & ANIMAL FEED	56,736	17.8	-2.1	---
TOTAL	716,783	0.6	-4.2	4.2	WHEY PROTEIN CONCENTRATE				
COTTAGE CHEESE, CURD 3/	38,968	7.2	10.2	---	HUMAN FOOD	24,405	6.1	-2.5	---
COTTAGE CHEESE, CREAM 4/	31,654	-6.1	3.1	-1.0	ANIMAL FEED	3,708	17.1	1.0	---
COTTAGE CHEESE, LOWFAT 5/	33,963	12.1	-1.0	5.6					
CANNED EVAPORATED & CONDENSED					FROZEN PRODUCTS	1,000 GALLONS	PERCENT CHANGE FROM:		
WHOLE MILK	46,885	-17.3	1.0	---	ICE CREAM (HARD)	85,753	1.2	14.2	-5.2
DRY WHOLE MILK	2,395	-27.2	-24.1	---	ICE CREAM, LOWFAT (HARD)	11,197	14.3	13.0	---
NONFAT DRY MILK, HUMAN FOOD	143,025	2.2	-5.3	-12.8	ICE CREAM, LOWFAT (SOFT)	33,191	22.4	14.7	---
DRY SKIM MILK, ANIMAL FEED	525	11.7	6.7	---	ICE CREAM, LOWFAT (TOTAL)	44,388	20.3	14.2	16.9
DRY BUTTERMILK	4,335	51.1	-21.6	---	SHERBET (HARD)	5,862	5.0	18.6	2.4
					YOGURT (TOTAL)	6,462	4.0	2.9	-6.1

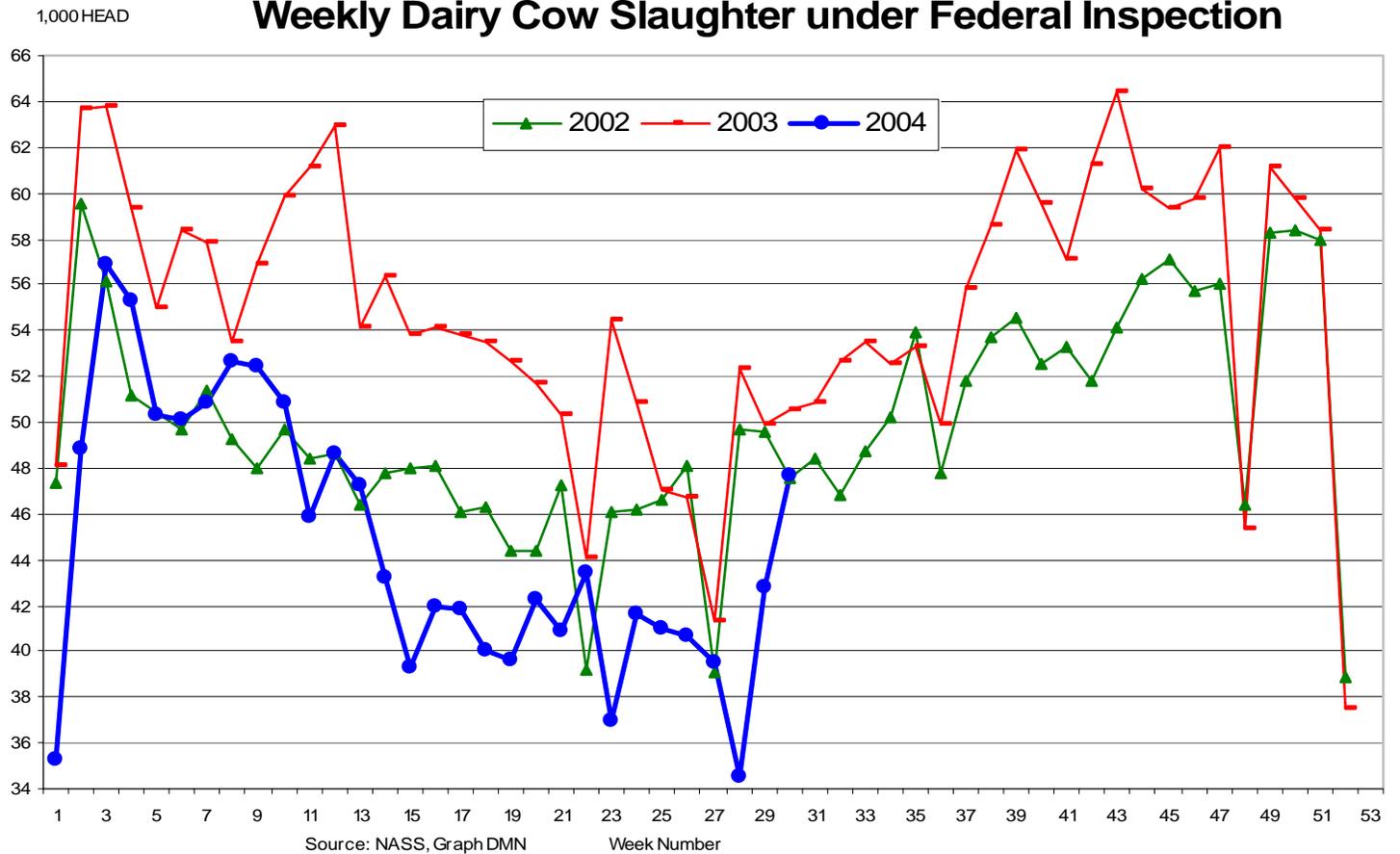
MANUFACTURERS' STOCKS, END OF MONTH 8/							
PRODUCT	JUN 2004	PERCENT OF:		PRODUCT	JUN 2004	PERCENT OF:	
	1,000 LBS.	JUN 2003	MAY 2004		1,000 LBS.	JUN 2003	MAY 2004
DRY WHEY PRODUCTS				WHEY PROTEIN CONCENTRATE			
DRY WHEY, HUMAN FOOD	35,784	-20.6	6.5	HUMAN FOOD	19,074	-34.6	5.4
DRY WHEY, ANIMAL FEED	5,547	207.3	13.5	ANIMAL FEED	2,082	11.2	19.1
REDUCED LACTOSE & MINERALS—HUMAN & ANIMAL 9/	6,336	-35.8	-10.4	CANNED EVAPORATED & CONDENSED WHOLE MILK	69,258	-9.0	25.0
LACTOSE, HUMAN FOOD & ANIMAL FEED	63,464	42.9	14.5	NONFAT DRY MILK FOR HUMAN FOOD	146,099	21.7	15.7
DRY BUTTERMILK, TOTAL	4,044	-40.9	-15.3				

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

U.S. CHEDDAR CHEESE PRODUCTION



Weekly Dairy Cow Slaughter under Federal Inspection



FEDERAL MILK ORDER CLASS AND COMPONENT PRICES, JULY

Component Price Information: Under the Federal milk order pricing system, the butterfat price for July 2004 is \$2.0543 per pound. Thus, the Class II butterfat price is \$2.0613. The protein and other solids prices for July are \$2.3625 and \$0.1048 per pound, respectively. These component prices set the Class III skim milk price at \$7.94 per cwt. The July Class IV skim milk price is \$6.34 which is derived from the nonfat solids price of 0.7042 per pound. **Product Price Averages:** The product price averages for July are; butter \$1.8269, nonfat dry milk \$0.8513, cheese \$1.5695, and dry whey \$0.2607.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT <u>1/ 2/</u>						
FEDERAL MILK ORDER MARKETING AREAS <u>3/</u>	ORDER NUMBER	JULY 2004				AUGUST 2004
		CLASS I	CLASS II	CLASS III	CLASS IV	CLASS I
		DOLLARS PER 100 POUNDS				
Northeast (Boston) <u>4/</u>	001	21.20	14.00	14.85	13.31	17.87
Appalachian (Charlotte) <u>5/</u>	005	21.05	14.00	14.85	13.31	17.72
Southeast (Atlanta) <u>6/</u>	007	21.05	14.00	14.85	13.31	17.72
Florida (Tampa) <u>7/</u>	006	21.95	14.00	14.85	13.31	18.62
Mideast (Cleveland) <u>8/</u>	033	19.95	14.00	14.85	13.31	16.62
Upper Midwest (Chicago) <u>9/</u>	030	19.75	14.00	14.85	13.31	16.42
Central (Kansas City) <u>10/</u>	032	19.95	14.00	14.85	13.31	16.62
Southwest (Dallas) <u>11/</u>	126	20.95	14.00	14.85	13.31	17.62
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	20.30	14.00	14.85	13.31	16.97
Pacific Northwest (Seattle) <u>13/</u>	124	19.85	14.00	14.85	13.31	16.52
All-Market Average	---	20.60	14.00	14.85	13.31	17.27

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 2 - 6, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 07/30/04	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	7,188,375#	82,663	7,105,712	332,629,381#	575,118,126	546,337,000	1,241,783,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	7,188,375	82,663	7,105,712	332,510,333	575,714,940	592,728,000	1,288,174,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 93,913,096 \$ 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 AUGUST 2 - 6, 2004 =	1.6	82.7	COMPARABLE PERIOD IN 2003 =	1.5	80.7
CUMULATIVE SINCE OCTOBER 1, 2003 =	72.2	3,870.4	CUMULATIVE SAME PERIOD LAST YEAR =	756.7	7,110.8
CUMULATIVE JANUARY 1 - AUGUST 6, 2004 =	46.7	2,521.2	COMPARABLE CALENDAR YEAR 2003 =	682.6	5,845.2

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

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

CCC ADJUSTED PURCHASES FOR THE WEEK OF AUGUST 2 - 6, 2004 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	613,372	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	6,492,340	-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	8,259,648	25,622,438	2.5	39.8
WEST	-42,309	11,446,631	-0-	9,174,240	319,966,911	512,522,706	96.2	59.1
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	332,510,333	575,714,940	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 07/17/04 & 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	6.1	2.6	16.5	2.2	0.5	0.8	11.0	2.3	42.8	1,294.6	44.7	46.8
2003-Dairy	0.2	0.7	6.6	4.8	19.6	2.4	0.4	0.8	12.4	2.1	49.9	1,567.4	44.1	47.9
2004-All cows	0.2	0.8	7.5	11.3	27.9	14.0	13.0	2.7	13.3	5.1	95.8	2,765.0		
2003-All cows	0.2	0.9	8.7	14.8	31.7	16.5	16.4	2.9	15.2	5.9	113.2	3,269.6		

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