

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/20)
BUTTER: Grade AA closed at \$1.4950. The weekly average for Grade AA is \$1.5425 (+.0250).

CHEESE: Barrels closed at \$1.6200 and blocks at \$1.6525. The weekly average for barrels is \$1.5680 (+.0580) and blocks, \$1.6055 (+.0615).

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

BUTTER: The butter market tone remains mixed. Producers and handlers have varying opinions on why the CME cash price has adjusted higher and lower in recent trading sessions. Some feel that the futures market is influencing the cash market more than in the past, while others look at supply/demand for justification. Churning activity is seasonally active from coast to coast. Cream volumes vary, although cream is available in most parts of the country. Stocks continue to trail last year, but are sufficient for current needs. Most handlers still voice their concern about having sufficient volumes for upcoming needs. Demand remains fair at best. Retail and food service orders are steady as buyers adjust their purchasing patterns. As the summer vacation season comes to a close and students return to classes, family/at home eating patterns are resuming.

CHEESE: The cheese market is firm, though a cautious undertone is developing. Price increases on the Chicago Mercantile Exchange cash market are growing into a second peak in 2004 and are again above the 2003 annual block peak of \$1.60. Some traders are wondering if recent increases are fully justified by supply and demand. Good interest continues to be noted in American types, particularly colby and jack products. Even current cheddar supplies have tightened. Mozzarella interest is uneven but generally improved. Overall cheese production is trending lower seasonally.

FLUID MILK: Hurricane Charley affected milk production, plant schedules, and overall demand in Florida. The lack of electricity in many locations slowed sales. In other areas, Class I interest is steady to heavier, aided by the reopening of additional schools. In the Northeast and upper Midwest, milk intakes are little changed and manufacturing schedules are generally steady to lighter. Receipts are also fairly steady in California, Utah, Idaho, and the Pacific Northwest. Temperatures over 100 degrees with higher humidity in Arizona has milk intakes trending lower.

DRY PRODUCTS: Most product markets remain steady to weak. The NDM market is weak and prices are mostly unchanged to lower. Demand is light. Overall drying schedules are lighter even though production in some plants remains heavier than expected. Clearances to CCC continue to help balance supply with demand. Whey prices continue to trend lower. Some plants are discounting prices to stimulate sales while others are in good balance and are keeping prices steady. Current demand is light. The WPC market is steady to weak. Producers report stocks in balance while traders feel the market is weak. Production is lighter due to improved Class I usage and occasional plant production problems. Lactose prices are lower with burdensome inventories

available for a limited domestic spot interest. Buttermilk is a mixed market, ranging from weak to firm depending on location. Stocks are light to adequate. Drying schedules are occasionally heavier in the West but steady to lighter elsewhere.

CCC: For the week of August 16 - 20, CCC net purchases total 2,855,171 pounds of Western NDM; 643,100 net pounds of NDM were purchased under price support with 2,242,071 pounds purchased under Invitation 080 to Announcement FMP1.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for September 2004 is \$13.94, down 68 cents from August. This price is derived from the advanced Class III skim milk pricing factor of \$7.96 and the advanced butterfat pricing factor of \$1.7890 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for September is \$7.11 and the Class II nonfat solids price is \$0.7900 per pound. The following are the two-week product price averages: butter \$1.6058, nonfat dry milk \$0.8596, cheese \$1.5047, and dry whey \$0.2280.

JULY MILK PRODUCTION (NASS): Milk production in the 20 major States during July totaled 12.5 billion pounds, up 0.7% from July 2003. June revised production, at 12.4 billion pounds, was down 0.1% from June 2003. The June revision represented an increase of 1 million pounds from last month's preliminary production estimate. Production per cow averaged 1,613 pounds for July, 16 pounds (1.0%) above July 2003. The number of cows on farms was 7.75 million head, 27,000 head less (-0.3) than July 2003, but 11,000 head more than June 2004.

AUGUST MILK SUPPLY AND DEMAND ESTIMATES (WAOB): The milk production forecasts for 2003/04 and 2004/05 are raised from last month based on the July *Milk Production* report that indicated a slightly larger cow herd. The all milk price forecast for 2003/04 is unchanged. The Class III price forecast is raised to \$14.90 - \$15.00, but the Class IV price is lowered to \$12.25 - \$12.45. The all milk forecast for 2004/05 forecast is lowered. Both the Class III and Class IV price forecasts are reduced compared with last month as product prices are expected to be weaker in the face of larger milk supplies.

JULY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During July, about 10.0 billion pounds of milk were received from producers. This volume of milk is 43.6% higher than the July 2003 volume on a comparable market basis. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -3.5%.) About 3.6 billion pounds of producer milk were used in Class I products, 0.1% higher than the previous year on a comparable market basis. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilizations were; Class I = 36%, Class II = 12%, Class III = 40%, and Class IV = 12%. The weighted average statistical uniform price was \$16.84, \$2.07 lower than last month, and \$4.84 higher than last year.

****SPECIAL THIS ISSUE****

BUTTER AND CLASS III AND IV MILK FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 JULY MILK PRODUCTION (PAGE 9)

AUGUST MILK SUPPLY AND DEMAND ESTIMATES (PAGE 10)
 JULY FEDERAL ORDER PRICE AND POOL SUMMARY (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

PRODUCT	MONDAY AUGUST 16	TUESDAY AUGUST 17	WEDNESDAY AUGUST 18	THURSDAY AUGUST 19	FRIDAY AUGUST 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.5100 (N.C.)	\$1.5300 (+.0200)	\$1.5800 (+.0500)	\$1.6000 (+.0200)	\$1.6200 (+.0200)	(+.1100)	\$1.5680 (+.0580)
40# BLOCKS	\$1.5500 (N.C.)	\$1.5825 (+.0325)	\$1.6100 (+.0275)	\$1.6325 (+.0225)	\$1.6525 (+.0200)	(+.1025)	\$1.6055 (+.0615)
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	\$1.6025 (+.0300)	----	\$1.5300 (-.0725)	----	\$1.4950 (-.0350)	(-.0775)	\$1.5425 (+.0250)

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 16, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 18 CARS GRADE AA: 2 @ \$1.5700, 2 @ \$1.5750, 1 @ \$1.5725, 1 @ \$1.5775, 1 @ \$1.5825, 1 @ \$1.5800, 1 @ \$1.5850, 1 @ \$1.5875, 1 @ \$1.6000, 1 @ \$1.6025, 1 @ \$1.6000, 2 @ \$1.6100, 1 @ \$1.6050, 1 @ \$1.6100, 1 @ \$1.6025; BIDS UNFILLED: 5 CARS GRADE AA: 1 @ \$1.6000, 1 @ \$1.5925, 2 @ \$1.5800, 1 @ \$1.5725; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.6200

TUESDAY, AUGUST 17, 2004

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.5550, 1 @ \$1.5600, 1 @ \$1.5700, 1 @ \$1.5800; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5300; 1 CAR 40# BLOCKS @ \$1.5825; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 18, 2004

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.5825; BIDS UNFILLED: 1 CAR BARRELS @ \$1.5800; 2 CARS 40# BLOCKS: 1 @ \$1.6100, 1 @ \$1.6025; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 3 CARS GRADE AA: 1 @ \$1.5425, 1 @ \$1.5350, 1 @ \$1.5400; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.5000, 1 @ \$1.4000; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.5300, 1 @ \$1.5400, 1 @ \$1.6000
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 19, 2004

CHEESE — SALES: 5 CARS 40# BLOCKS: 1 @ \$1.6100, 1 @ \$1.6125, 1 @ \$1.6150, 1 @ \$1.6200, 1 @ \$1.6300; BIDS UNFILLED: 1 CAR BARRELS @ \$1.6000; 1 CAR 40# BLOCKS @ \$1.6325; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 20, 2004

CHEESE — SALES: 5 CARS 40# BLOCKS: 1 @ \$1.6350, 1 @ \$1.6375, 1 @ \$1.6425, 1 @ \$1.6450, 1 @ \$1.6500; BIDS UNFILLED: 1 CAR BARRELS @ \$1.6200; 1 CAR 40# BLOCKS @ \$1.6525; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 27 CARS GRADE AA: 2 @ \$1.4850, 3 @ \$1.4825, 4 @ \$1.4800, 1 @ \$1.4725, 1 @ \$1.4700, 1 @ \$1.4600, 2 @ \$1.4500, 2 @ \$1.4525, 3 @ \$1.4625, 1 @ \$1.4850, 5 @ \$1.4900, 1 @ \$1.4925, 1 @ \$1.4950; BIDS UNFILLED: 9 CARS GRADE AA: 1 @ \$1.4750, 2 @ \$1.4725, 1 @ \$1.4550, 1 @ \$1.4400, 1 @ \$1.4300, 1 @ \$1.4200, 1 @ \$1.4100, 1 @ \$1.4000; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.5000, 1 @ \$1.5100, 1 @ \$1.5200

BUTTER MARKETS

NORTHEAST

The market tone is firming. At the CME, through August 16, the AA price rebounded 16 cents in the last four trading sessions. Contacts state that butter sales have been fairly good as some buyers feel prices may continue to increase as we move into the last third of the year. Churning activity is lighter this week as one operation is down for routine maintenance. Food service orders are steady. Retail sales remain slow. Unless featured, butter prices are still high and meeting with consumer price resistance. 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 unsettled as the midweek CME cash price dipped 7 1/4 cents to \$1.5300 following four consecutive trading sessions of price increases. Many producers and handlers questioned the downward adjustment. Cream supplies are available to local churns from both local and out of area sources. Butter producers anticipate that cream offerings will increase during the next two to three weeks as school bottling pipelines fill and standardized cream becomes available. As long as cream prices remain reasonable, many butter producers are looking forward to the additional offerings. Stocks of butter continue to trail last year at this time, although current production and stocks

are fully adequate for the fair at best demand. Retail orders are fair. Food service and restaurant orders are seasonally steady at fair levels. Resort and summer vacation area orders are starting to decline as the Labor Day holiday and the unofficial end to the summer vacation season nears. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices at the cash CME market recovered 13 cents of their previous declines last week and continued to strengthen this week before dropping 7.25 cents on Wednesday, August 18, to close at \$1.5300. The market tone is unsettled. Some butter plants are very current on orders without much in the way of stocks to fall back on. Others have stocks for current and later needs. Orders are a bit slow for fall needs, but most feel that it is still early. Cream supplies are available at seasonally reasonable prices. Ice cream sales in the region are being called fair to good. The CME stocks report showed butter volumes declined 2.33 million pounds to 104.3 million pounds. This compares to 186.4 and 144.9 million pounds of inventory during the comparable weeks in 2003 and 2002, respectively. 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			
AUGUST 14	1.4947	1.5085	0.8615	1.5334	0.2244
	8,277,269	8,601,147	20,078,802	2,688,615	9,201,132

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

CHEESE MARKETS

NORTHEAST

Prices are unchanged to fractionally lower and the market tone is steady. Prices at the CME have held relatively steady for the past few weeks. Cheese buyers, preparing for the school-year needs, are a little more inclined to purchase additional stocks. Most feel they will need to have more on hand during the transition from vacation-time sales to the normal, school-year shopping patterns. Retail prices are still reported as high, which may offset some of the improved demand. Distributors and restaurants are preparing for the upcoming Labor Day weekend and its anticipated needs. The effects of Hurricane Charley along the Eastern Coast slowed consumption patterns this past weekend. Cheese production in the Northeast is light to moderate. Stocks of most cheese are adequate. Demand for mozzarella and other fresh cheeses is improving.

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

Cheddar 10# Prints	:	1.6125-2.1275
Cheddar Single Daisies	:	1.5700-2.0450
Cheddar 40# Block	:	1.6850-1.9450
Process 5# Loaf	:	1.7200-1.9275
Process 5# Sliced	:	1.7400-1.9850
Muenster	:	1.7850-1.9875
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is steady to firm. Current movement continues to be stimulated by the possibility of additional price increases. Demand remains strong and spot supplies are very limited for most non-cheddar, American varieties. Lead times are normal to slightly extended. Current cheddar supplies have also tightened, including barrels, as plants make more vats of colby and jack types. Some loads of medium cheddar continue to be offered at a discount. Mozzarella interest is uneven, good for some producers and sluggish for others. Process interest is steady to occasionally improved as buyers, particularly retailers, stock up. Current cheese output is steady to slightly below recent weeks. Some schools will be reopening next week, reducing milk volumes available for manufacturing.

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

Process American 5# Loaf	:	1.6900-2.0700
Brick And/Or Muenster 5#	:	2.0500-2.2000
Cheddar 40# Block	:	1.8975-2.2650
Monterey Jack 10#	:	2.1200-2.2650
Blue 5#	:	2.2950-2.7700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8425-2.3650
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

08/16/04	54,500	:	142,832
08/01/04	56,496	:	151,542
CHANGE	-1,996	:	-8,710
% CHANGE	-4	:	-6

WEST

Weekly average cheese prices at the CME held about steady last week. CME barrel and block prices moved higher this week. Buyers are becoming more active in the market looking to fill fall needs. More interest in mozzarella is noted as schools are about to begin fall terms. Steady interest is noted for current cheddar offerings. Some buyers are a bit more aggressive if they believe that the market may continue to firm in price. Current offers are clearing well, but there are sufficient inventories to meet any future needs. Some plants continue to control how much cheese they want to make at this time. Swiss demand is fair at best for the moderate to heavy offerings available. Some quality problems are appearing that will limit Grade A Swiss availability in coming months. Offerings of lower grades are being discounted.

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

Process 5# Loaf	:	1.6625-1.9225
Cheddar 40# Block	:	1.6675-2.0200
Cheddar 10# Cuts	:	1.8475-2.0675
Monterey Jack 10#	:	1.8575-2.0175
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are unchanged to fractionally lower on domestic styles. The market tone remains at seasonal levels. As summer ends, shopping habits will get back to more normal levels, which may mean improved demand for imported and/or foreign type cheeses. However, high retail prices continue to hamper consumer buying interest. The U.S. dollar is slightly firmer against the Euro and other currencies.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.2500	: 1.9075-3.3975*
Gorgonzola	: 3.6900-5.9400	: 2.4125-2.4900*
Parmesan (Italy)	: TFEWR	: 3.3175-3.4275*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-5.5500	: 1.9175-2.1425*
Romano (Cows Milk)	: -0-	: 3.1025-5.2775*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.4500	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

EAST

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	157	0	126	0	75	0
SOUTHEAST STATES	40	0	0	0	0	0

Regional Milk Market Administrators announced the following, July 2004 uniform prices: Northeast \$17.64, Mideast \$16.55, Southeast \$19.10, Florida \$21.01, and Western New York (a state order) \$17.59 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During July, milk production in the 20 major states totaled 12.51 billion pounds, up 0.7% from July 2003. The following are the July-to-July changes for selected states: Texas +10.5%, Florida +8.8%, Kentucky +0.9%, New York -3.8%, Pennsylvania -2.0%, Vermont -0.9%, and Virginia -0.7%. Hurricane Charley cut a wide swath of property damage and power outages across Florida last Friday and Saturday. Many towns and cities in the Central and Southern parts of the state are still without power. Milk transportation schedules are in chaos. Reports noted that one dairy operation/farm was totally destroyed and the whereabouts of the cows were temporarily not known. Farms with portable generators were operating, but well below typical efficiencies. Getting the milk picked up and moved to plants were issues unto themselves. Charley also dumped heavy amounts of rain as it moved up the Eastern Coastline, but few problems were reported in milk pick ups, processing, and disposition. At midweek, it was estimated that nearly a half million people in Central Florida were still without electricity. As stores get power back, they are placing orders for bottled milk and other dairy products. This is putting a strain on the plants that are operating as well as the delivery system for these products. Fortunately, school re-openings have been postponed until next week which may allow processors to better clean up and get back to more normal operating levels. Some milk was lost at the farm and plant levels, but volumes are not yet known. In the Northeast, milk output and processing is little changed. Bottled milk demand in this area is steady to slightly improved. Surplus milk volumes are a little lighter, but those operations that were shipping milk to Florida found themselves with more milk to process early this week. Shipments did resume and increase by midweek. Florida's needs will likely jump significantly next week when most schools reopen. The condensed skim market is steady. The fluid cream market is mixed. Prices are up slightly as the CME butter prices did move fractionally higher last week. Spot demand ranges from steady to improved. Offerings were reported as tight early in the week, longer later. One butter operation is down this week for maintenance, which forced more loads on the market. Ice cream and cream cheese production are about steady.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT		
F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.0335-2.2004
DELIVERED EQUIVALENT ATLANTA	-	2.0638-2.2004 M 2.0486-2.1549
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9728-2.1700
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

MIDWEST

Many industry representatives were attending the Federal Order hearing in Minnesota this week. Overall Class I interest was steady to slightly improved though interest from a few bottlers was lower than anticipated. Some handlers were expecting demand caused by the opening of schools to provide a stronger pull. However, in each of the next few weeks, more schools are scheduled to reopen. Milk shipments into the Southeast from the region were, at least temporarily, affected by Hurricane Charley. Manufacturing milk interest is unevenly steady as some plant operators are still aggressively seeking milk while others have backed off. Spot manufacturing milk prices are in the \$1.75 - 2.25 net fob over class area. Plant maintenance work did cause milk supplies to temporarily back up at a few plants. Cream demand remains good in the region and supplemental loads from the West continue to enter the region. Ice cream production is easing back for some producers as the major part of the peak demand season is over. Temperatures remain unseasonably cool through much of the

upper Midwest, keeping cows comfortable but slowing already lagging crop maturity in Wisconsin, Michigan and part of Minnesota. Somatic cell counts have typically been very good for summer. Current plant milk intakes seem little changed week to week through the upper part of the region. A lot of good forage has been harvested in recent weeks to supplement a mostly low quality first cutting. The initial estimated July milk production in selected Midwestern states compared with July 2003 is: Wisconsin 1.866 billion pounds, down 35 million pounds (-1.8%); Minnesota 684 million pounds, off 7 million pounds (-1.0%); Michigan 537 million pounds, down 19 million pounds (-3.4%); and Iowa 301 million pounds, off 17 million pounds (-5.3%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 54.00- 62.00	\$ 45.00- 50.00
REPLACEMENT HEIFER CALVES	\$350.00-650.00	\$390.00-550.00

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

	AUGUST 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 55.50- 62.00	\$ 49.00- 53.00

WEST

U.S. milk production for the twenty states in July totals 12.5 billion pounds, up 0.7% from July 2003. This is the first year to year increase since last November. Cow numbers were down 27,000 head or 0.3% from last year and production per cow was up 16 pounds or 1.0%. Cow numbers have increased 31,000 head from May to July. Output in the West has been firming at a faster rate. For July, western states' output compared to last year is: +6.3% in Arizona, +3.7% in California, +1.2% in Idaho, +3.0% in New Mexico, and -2.7% in Washington. The milking herd in these five states grew 65,000 head from last year. Output per cow was quite variable in the West. Arizona output per cow was +4.0% from last year, California +1.4%, Idaho -2.1%, New Mexico -1.4%, and Washington -1.3%. Hay production on August 1, for nine Western states totaled 25.6 million tons, down 1.8% from a year earlier. The number for the U.S. is 77.3 million tons, +1.3% compared to August 1, 2003. Of the nine Western states, only two had positive output compared to last year: Nevada +6.2% and New Mexico +12.9%. All the rest were negative with Oregon being the worst at -12.2%. The real issue for winter hay needs is how much dairy quality will be available. Much of the first few cuttings suffered rain damage or got too mature. The last cutting of the year is being watched very closely for quality issues. CALIFORNIA milk production levels are trending mostly steady with last week as weather conditions have improved. Daytime high temperatures have moderated and nighttime levels are comfortable in the Central Valley and the north. Cow numbers are being added in the state with new and expanded facilities. Contacts are noting that a higher than normal number cows will freshen in the next month and if conditions are good, milk volumes will mover higher. Fluid milk sales are variable and most often depend on whether school accounts are active. Over the next several weeks more schools and colleges will resume classes and fluid milk orders will increase. Retail fluid sales are steady to lower. Movements are better where featured. ARIZONA milk supplies are again moving lower as conditions are not very favorable for cow comfort. Temperatures continue to be above 100 degrees with humidity levels increasing. Rains from recurring storms are causing only minimal problems at the farm level. Plants are running well despite conditions. The CREAM market is unsettled following recent price changes at the CME. The butter price firmed last week, but fell sharply on Wednesday, August 18 to close at \$1.53. Cream demand is fair to good from ice cream producers. Class pricing in California makes importing cream more favorable than using local supplies. Cream is moving to churns. Multiples have increased to offset declines in basing points and range from 120 to 134. The first real hot spell hit parts of UTAH and IDAHO last week. Temperatures approached and exceeded 100 degrees in the region. Things did cool off reasonably well at night, but many plants did notice an immediate production response. A major cheese plant in the region has decided to build another plant in Idaho. The new operation should be online sometime next fall. Dairy quality hay stocks in the region are tight and this heat on the end of the third cutting growth is not helping quality. Many fields in the region look pretty rough after six years of drought even with irrigation. More water supplies are being shut off as flows drop below certain levels. Conditions in the PACIFIC NORTHWEST have been warm and dry. Coastal areas have had some heat, but not like the interior. Many days have topped 100 degrees in the central dairy areas. Current hay production is not testing as well because of the heat and is having trouble making dairy quality hay. The competition for the available hay is intensifying.

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a weak market. No sales to the CCC are reported for the current week at the 80 cent level. Supplies of NDM are plentiful. Low heat NDM is being offered direct from manufacturers and via resellers for the light interest. Some contractual buyers are pushing back loads due to reduced demand and in light of the growing price disparity between the current market and contracts based on the NASS pricing series. NDM production is steady to lower due to seasonal reductions in milk output and increased movement of milk into Class I facilities instead of NDM dryers. High heat demand is generally in balance with supply with some producers notably reducing prices to be in better alignment with the rest of the market.

EAST: Eastern prices are mostly steady and the market tone is showing more weakness. Production levels are lighter as cheese operations are taking a little more milk. Some producers report that milk receipts are low enough for them to start making high heat NDM. Producer stocks remain heavier than desired and demand for current output is often limited to contract volumes. The heavy offerings of NDM that was once in CCC warehouses continue to attract the most attention from buyers. Some contacts hypothesis that early-2004 predictions of tight milk and tight NDM supplies during the later part of the year pushed many buyers into buying enough to cover their needs. Now that we have ample milk, ample NDM, and users with adequate supplies, demand is well below expectations. There are reports of discounted prices on multiple load deals, but even in the low 80's, these prices are above those often noted on resale powder once owned by CCC. Last weekend's tropical storm and hurricane left many areas of the Southeast without power for several days and plants affected by those storms are back on line, but milk receipts are spotty.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8100 - .9500 MOSTLY: .8500 - .8700
 HIGHHEAT: .9150 - 1.1000

NONFAT DRY MILK - WEST

Western low/medium heat nonfat dry milk prices are little changed despite an overriding sense of weakness to the market tone. Production levels are often higher than projected and demand is slowing. Buyer interest for direct plant sale ranges from very light to light with most producers in the region having spot loads available. Offerings will increase in coming weeks as producers fill prior government export contracts for medium heat and instant NDM. Current expectations are that in the absence of the export contracts, more NDM will be offered to the support program. Companies continue to direct export NDM as buyers are finding the US as a source of powder. Domestic demand is soft with buyers having many options for current needs. Resale prices are often at the low end of the range and below depending largely on age. Cheese producers are generally using NDM to fortify cheese vats, but many are using NDM that they had purchased prior. During the week of August 9 - 13, a total of 3,801,586 pounds of Western NDM were offered to the government CCC program as a price support purchase. Western high heat NDM prices are lower in a light market test. Some seasonal interest has developed and slightly higher shipments are moving under contract sales.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8800 MOSTLY: .8200 - .8625
 HIGHHEAT: .8500 - .9800

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 13	\$.8445	13,227,436	1,168,850
August 6	\$.8462	11,685,954	245,731

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 to lower and nominal on a steady to weak market. Some offering prices are noted at the lower end of the range for the light interest. Producers are generally not aggressive in pursuing buttermilk sales as excess stocks are anticipated to clear readily during the fourth quarter on contracts or via spot sales. Production is steady to lower as more milk moves into Class I facilities for the new school year. However, as more cream eventually surfaces from bottling plants, heavier butter and buttermilk production is expected during the next month.

F.O.B. CENTRAL: 1.0500 - 1.1500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to higher and the market tone is unchanged. Production levels are off slightly this week as one butter maker is down for maintenance. Plant stocks range from balanced to fully adequate for the slow to fair demand. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST: 1.0000 - 1.0900
 DELVDSOUTHEAST: 1.0100 - 1.1500

DRY BUTTERMILK - WEST

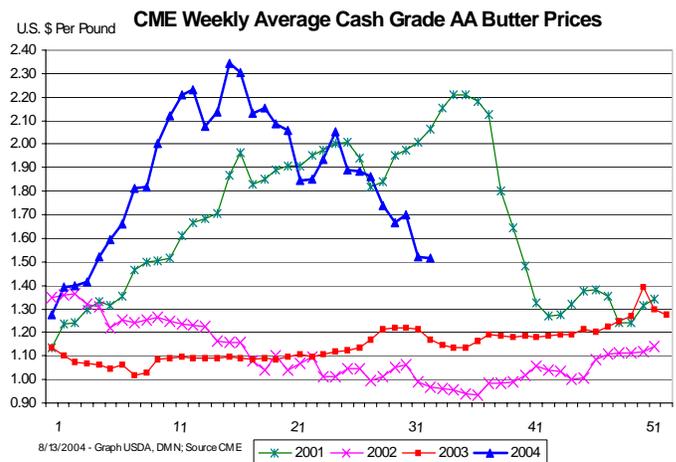
Dry buttermilk prices are steady to higher. Spot trading remains light with most current transactions centered on good contract demand. The influences of fall orders are slow to develop beyond expectations. Contacts note the price difference between buttermilk and nonfat dry milk as the major reason buyers are not pressuring the buttermilk market. Drying schedules are steady and often higher when butter production is up. Condensed buttermilk orders are moving to contract customers, especially ice cream producers. Dry buttermilk stocks are light to moderate.

F.O.B. WEST: 1.0300 - 1.0750 MOSTLY: 1.0300 - 1.0500

DRY WHOLE MILK - NATIONAL

Prices are steady and nominal. The market tone is little changed from past weeks and remains highly competitive. Demand is lackluster and generally limited to contracts. However, some imported product continues to be offered at or below the bottom of the range. Spot demand is still slow.

F.O.B. PRODUCING PLANT: 1.2850 - 1.4400



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 steady to weak market. Trade activity is very light. Most manufacturers are reporting steady prices yet end users are receiving current production at a discount via resellers. Some distributors are pushing back contractual loads as interest from end users like ice cream manufacturers is less than anticipated for the season. Feed buyer interest is increasing for the fourth quarter and 2005, encouraging spot sale activity into this market. Production is unchanged to lower as milk is diverted away from cheese plants and into Class I facilities for the new school year. Producer inventories are reportedly in better balance than the week prior.

F.O.B. CENTRAL: .1900 - .2250 MOSTLY: .2100 - .2200

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to move lower, but the rates of decline have slowed considerably. The market tone is unchanged in the East. For the most part, producers have contracts to fill and most are sold out for the remainder of the year. Traders do have dry whey to offer, but most report that demand and overall market activity is limited. There are more and more comments about the lack of inquiries for dry whey as well as other dry dairy products. Buyers are staying as current as they can, but more indications point to the fact that prices are at or near the bottom of this price cycle. Most contacts expect more interest if and when price start to increase. Production levels are moderate, but with increasing cheese prices, a little more milk, if available, may start to move back into cheese plants.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2225 - .2600
DELVD SOUTHEAST: .2450 - .2550

DRY WHEY - WEST

Western whey prices continue to trade lower. Conditions do vary among producers. Some are in balance with contract and spot sales, while others have volumes of whey available and are discounting. Resellers also have loads to move. Buyer interest is fair with some concerns about pricing direction, affecting whether buyers want to make additional purchases at this time. Export demand is slower than desired. Competition with permeates and WPC are also noted. Off grade whey offerings are available and slow to move. Production schedules are often higher than projections as more milk is entering cheese plants. Inventory levels are light to moderate.

NONHYGROSCOPIC: .1950 - .2700 MOSTLY: .2100 - .2200

ANIMAL FEED WHEY - CENTRAL

Prices are lower on a weak market. Trade activity is light and offerings are limited. Feed buyers are warily observing the Extra Grade whey market for signs that the market has reached a bottom before making additional purchases. Interest in feed products from the farm sector is improving. Veal and early weaned pig prices are generally trending steady.

F.O.B. CENTRAL:
MILK REPLACER: .1800 - .1950

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady to weak market. Trade activity is very light. Producers are generally reporting that stocks are in balance with demand yet resellers and traders state that the market appears weak. Resale offers are noted at a discount for the light interest. Production is generally lower as milk is diverted into Class I facilities instead of cheese plants and in response to equipment problems at some locations. Supplies of off grade WPC are readily available for the light feed interest. Off grade NDM stocks are also reportedly available as a substitute to off grade WPC at some locations.

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

LACTOSE - CENTRAL AND WEST

Prices are generally lower on a weak market. Burdensome stocks are encouraging some producers to release loads at a discount to the market. Traders are reporting the market as "super weak" and "sloppy." Most spot interest is emanating from export markets. Domestic interest is mostly contractual. Inquiries are noted from the Russian market for higher mesh sized lactose. Production is generally lower as milk is diverted into Class I facilities instead of cheese plants and in response to equipment problems at some locations. Producer stocks are in better balance than the week prior yet still long at some locations. Off grade lactose is somewhat difficult to clear as supplies must compete with ample stocks of dry permeate for the light feed interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1850 - .2700 MOSTLY: .2000 - .2250

CASEIN - NATIONAL

Casein markets and prices remain firm. Tight supplies continue to cause some domestic buyers to look to other suppliers for additional stocks, but usually these inquiries are going unsatisfied. Casein production in Europe is winding down seasonally, although producers are actively looking for additional milk volumes to run through their facilities. In Oceania, the new milk production season is just getting underway. Casein production is usually the last commodity to resume production and the first to cease as milk volumes decline. At this point milk volumes continue to increase and minimal volumes of milk are entering casein operations. Under invitation #023, CCC sold 1,999,988 pounds of government owned NDM for the production of casein/caseinates at prices of \$0.4050 and \$0.4300 per pound to two bidders. Current awards are nearly double the price that was being paid in 2002 when the program began.

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 steady to lighter. More surplus milk was available early this week, but tighter as the week progressed. Increasing volumes of milk are moving into Florida and other Southeastern bottlers to help refill retail pipelines after Hurricane Charley devastated parts of that state. Demand is mostly steady, but some restocking in the areas affected by the hurricane is likely. Producer inventories are adequate for current needs.

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	08/04	08/05	08/06	08/09	08/10	08/11	08/12	08/13	08/16	08/17
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
AUG 04	14.14 (5154) 42	14.09 (5103) 111	14.00 (5096) 7	13.98 (5103) 67	13.98 (5105) 3	13.98 (5105) 31	13.98 (5106) 28	14.04 (5099) 1	14.02 (5119) 53	14.04 (5119) 5
SEP 04	15.38 (5822) 705	15.23 (5712) 524	14.66 (5759) 254	14.67 (5757) 295	14.54 (5843) 171	14.63 (5887) 348	14.74 (5893) 79	14.75 (5892) 115	14.68 (5802) 460	14.94 (5806) 421
OCT 04	14.65 (3374) 118	14.59 (3430) 155	14.25 (3420) 120	14.21 (3412) 65	14.11 (3453) 78	14.15 (3451) 73	14.26 (3468) 102	14.25 (3498) 94	14.21 (3549) 272	14.28 (3582) 204
NOV 04	13.20 (2395) 59	13.10 (2401) 12	13.10 (2399) 23	12.98 (2400) 21	12.97 (2403) 9	12.90 (2404) 31	12.95 (2406) 19	12.90 (2411) 28	12.90 (2463) 93	12.85 (2466) 20
DEC 04	12.54 (1983) 32	12.45 (1979) 23	12.40 (1980) 19	12.35 (1988) 19	12.25 (1992) 21	12.20 (1983) 14	12.30 (1984) 7	12.25 (1985) 5	12.25 (1996) 58	12.13 (1995) 23
JAN 05	12.20 (655) 65	12.10 (659) 20	12.20 (672) 31	12.22 (681) 6	12.15 (683) 2	12.15 (683) 8	12.15 (683) 0	12.15 (690) 10	12.15 (729) 91	12.00 (764) 65
FEB 05	12.25 (670) 16	12.20 (674) 16	12.25 (677) 25	12.30 (688) 14	12.30 (694) 2	12.29 (696) 26	12.29 (696) 0	12.29 (703) 14	12.25 (745) 125	12.20 (768) 42
MAR 05	12.25 (450) 1	12.10 (466) 31	12.19 (471) 22	12.19 (487) 10	12.19 (487) 3	12.25 (513) 26	12.25 (513) 0	12.25 (522) 17	12.25 (522) 49	12.06 (585) 124
APR 05	12.24 (386) 43	12.18 (423) 45	12.25 (425) 26	12.28 (434) 3	12.28 (435) 3	12.30 (460) 27	12.30 (460) 0	12.30 (470) 14	12.30 (472) 49	12.25 (501) 43
MAY 05	12.22 (367) 80	12.18 (400) 42	12.29 (404) 17	12.29 (418) 10	12.29 (418) 5	12.28 (444) 26	12.25 (443) 1	12.15 (452) 8	12.15 (448) 43	12.06 (477) 40
JUN 05	12.34 (244) 1	12.20 (275) 45	12.35 (290) 27	12.38 (298) 0	12.38 (299) 4	12.40 (323) 26	12.40 (323) 0	12.40 (334) 11	12.40 (329) 38	12.15 (356) 35
JUL 05	12.80 (95) 0	12.60 (117) 68	12.80 (127) 12	12.90 (128) 2	12.90 (130) 4	12.90 (132) 4	13.00 (132) 0	13.00 (142) 10	13.00 (169) 31	13.00 (174) 9
AUG 05	13.20 (87) 1	13.00 (103) 16	13.20 (114) 26	13.25 (118) 6	13.20 (120) 2	13.20 (122) 2	13.20 (122) 0	13.20 (132) 10	13.20 (152) 48	13.10 (160) 10
SEP 05	13.20 (74) 1	13.00 (90) 21	13.25 (97) 9	13.45 (97) 0	13.45 (97) 0	13.45 (100) 3	13.45 (100) 0	13.40 (107) 7	13.40 (138) 32	13.45 (144) 10
OCT 05	12.65 (57) 1	12.50 (85) 45	12.71 (94) 9	12.90 (94) 0	12.90 (94) 0	12.90 (98) 4	12.90 (98) 0	12.90 (105) 7	12.90 (106) 31	13.00 (110) 10
NOV 05	12.35 (53) 1	12.25 (64) 26	12.40 (70) 9	12.40 (72) 2	12.40 (79) 7	12.40 (81) 2	12.40 (81) 0	12.40 (88) 7	12.40 (88) 2	12.30 (96) 14
DEC 05	12.30 (49) 0	12.30 (60) 22	12.40 (68) 11	12.40 (70) 2	12.40 (77) 7	12.40 (79) 2	12.40 (79) 0	12.40 (86) 7	12.40 (86) 3	12.30 (94) 9
CME - (CLASS IV) MILK FUTURES - Dollars per cwt.										
AUG 04	84.00 (21) 0	84.00 (21) 0	84.00 (21) 0	84.00 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0	12.90 (77) 0
SEP 04	83.75 (23) 0	83.75 (23) 0	83.75 (23) 0	83.75 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0	12.90 (87) 0
OCT 04	83.75 (18) 0	83.75 (18) 0	83.75 (18) 0	83.75 (21) 0	12.00 (21) 0	12.00 (21) 0	12.00 (21) 0	12.00 (21) 0	12.00 (21) 0	12.00 (21) 0
NOV 04	83.75 (18) 0	83.75 (18) 0	83.75 (18) 0	83.75 (64) 0	12.10 (64) 0	12.10 (64) 0	12.10 (64) 0	12.10 (64) 0	12.10 (64) 0	12.10 (64) 0
DEC 04	84.00 (9) 0	84.00 (9) 0	84.00 (9) 0	84.00						
CME - BUTTER FUTURES -- Cents per pound										
SEP 04	154.50 (292) 23	150.50 (270) 69	146.00 (262) 9	148.00 (245) 14	153.00 (240) 9	155.75 (241) 3	157.00 (241) 1	158.00 (240) 16	158.50 (236) 23	156.50 (229) 10
OCT 04	153.75 (169) 9	149.00 (177) 20	144.00 (177) 6	148.00 (183) 15	152.50 (185) 4	155.00 (182) 3	156.00 (182) 0	156.00 (182) 25	158.25 (176) 22	155.50 (175) 2
DEC 04	145.00 (76) 6	145.00 (76) 5	144.00 (75) 4	148.00 (73) 11	153.00 (74) 1	154.00 (73) 8	154.00 (73) 0	154.00 (73) 1	153.00 (81) 9	153.50 (81) 1
MAR 05	146.00 (46) 1	146.00 (46) 0	146.50 (45) 1	148.00 (45) 2	152.00 (45) 0	153.00 (45) 0	154.00 (47) 2	155.00 (47) 0	155.00 (47) 2	159.00 (53) 6
MAY 05	147.00 (36) 3	147.50 (38) 2	147.75 (38) 0	148.00 (38) 0	151.00 (38) 0	152.00 (38) 0	154.00 (38) 0	154.25 (38) 0	154.50 (38) 1	158.97 (40) 3
JUL 05	149.00 (7) 3	147.50 (10) 3	147.00 (10) 1	150.00 (10) 0	151.00 (10) 0	152.00 (12) 2	155.00 (12) 0	155.00 (12) 0	155.00 (12) 0	155.10 (13) 1

^{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 August 9 - 20, 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 decline seasonally. In some areas, lack of moisture has caused pastures to dry up and loose feed quality, but in recent days, measurable moisture has occurred. Milk volumes for much of the season have trailed last year and the last half of the season is not providing additional volumes as previously hoped. For much of the season, milk volumes were very competitive and this situation is little changed. Casein and cheese producers are aggressively seeking milk volumes to enhance inventories for upcoming fall and winter needs. Stocks of most manufactured dairy products are available, but lighter than most handlers and traders would desire for this time of the season. Up to this point, international buyer interest has remained slow. Many traders feel that firm prices must be keeping potential buyers from the market. Due to this possibility, traders and handlers are starting to see some weakness in prices starting to occur. There is no significant weakness yet, but they indicate that further firmness will probably not develop. The month of August is usually holiday time for much of Europe, thus sales negotiations and potential sales are limited. There have been no policy changes out of the EU Dairy Management Committee in a number of weeks due to the August holiday period. The next meeting will be on Thursday, August 26. Many subsidy and manufacturing allowance adjustments have occurred in recent months and most traders, handlers, and manufacturers anticipate additional adjustments in the coming months.

BUTTER/BUTTEROIL: European butter markets are generally steady at unchanged prices, although the market undertone is weaker. Milk production in Europe is declining seasonally, thus is butter/powder production. Cheese and casein producers are actively looking for milk to supplement their production. Butter stocks are available for domestic and international buyer interest.

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

SKIM MILK POWDER (SMP): Skim milk powder markets are unsettled with prices unchanged to slightly lower. Traders and handlers indicate that international sales activity has remained slow for much of the current season and are hopeful that lower prices might re-ignite buyer interest. Powder production is also on the decline as late season milk volumes are often being directed toward cheese and casein production.

1.25% BUTTERFAT: 2,080 - 2,225

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices although a weaker undertone is developing. Producers and handlers indicate that stocks of powder, although lighter than desired, are available for domestic and international buyer interest. At this point, buyer interest remains light as firm prices are often a limiting factor.

26% BUTTERFAT: 2,250 - 2,350

SWEET WHEY POWDER: Whey powder markets are generally steady at unchanged prices. Cheese production is seasonally strong, thus whey volumes are available. At this point, whey sales are generally centered around internal or domestic needs with international buyer sales limited. European sourced whey prices are often higher than international buyers are willing to pay. Some traders and handlers feel that with cheese production strong for this time of the season, whey volumes will increase and prices will possibly weaken.

NONHYGROSCOPIC: 500 - 550

EASTERN EUROPE OVERVIEW: Milk production is on the down side of the season in Eastern Europe. Although milk volumes are on the decline, many manufacturing facilities are not realizing as much of a decline over last year as their Western European counterparts. Stocks of manufactured dairy products are available. This region of Europe, especially for those countries that joined the EU in May, are realizing slower international sales activity in comparison to last year due to the regulations and guidelines that now need to be followed. Eastern European countries, outside of new member states, are finding that buyer interest is more active.

OCEANIA

OCEANIA OVERVIEW: Milk production in Oceania is increasing seasonally. In New Zealand, the new milk production season is underway although milk handlers do not have a good indication of production trends, but do indicate that the season is off to a positive start. Most manufacturing plants on both the north and south islands are now open and receiving milk. Production of most manufactured dairy products is building. Casein production is also on the increase, but will not gain significant momentum until milk output nears peak levels in 6 - 8 weeks. Plant managers indicate that although it is still early in the season, they are looking forward to another positive production season with milk production projections of 2 - 3% over last season being forecast. Milk production figures for last season indicate that milk production during the 2003 - 04 year was up about 3.5% from the previous year. In Australia, the production season is just getting underway. Milk producers and handlers are projecting a 1 - 2% increase over last season. For the production season just completed in Australia (July 2003 - June 2004), milk output totaled 10,074.7 million liters which was 2.5% lower than the 2002 - 2003 year. For the most part, traders and handlers continue to fill orders from inventoried stocks with minimal new production leaving the Oceania region at this time. It is still early in the season for new production to have gone through the inspection and grading process for shipment. Stocks of manufactured dairy products from last season are declining with most handlers and traders indicating that warehouses will be basically cleaned out with no volumes available for spot buyer interest. Most manufactured dairy products produced during the first half of the new season have been committed, thus spot buyer inquiries are often going unfilled at this time. Traders and handlers are basically postponing or delaying acknowledgement of these inquiries until the second half of the season when they will once again re-evaluate milk production and stock trends. Oceania prices remain firm following trends of other international markets.

BUTTER: Oceania butter markets are firm as the new milk production season gets underway. Carryover stocks from last season are minimal and spot availability is very limited. Producers and handlers indicate that much of the first half of the new season's production has been committed, thus spot buyer inquiries are often going unfilled.

82% BUTTERFAT: 1,700 - 2,000

CHEDDAR CHEESE: Cheddar cheese markets are firm as prices are steady to slightly higher. Most business continues to center around regular and ongoing customer needs. The new milk production season is just getting underway in Oceania, thus cheese production remains seasonally light, although building as milk volumes increase. Shipments out of the region are basically being filled from inventoried stocks with new production still limited.

39% MAXIMUM MOISTURE: 2,650 - 2,850

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are firm. Milk production is building in Australia and New Zealand, thus butter/powder output is also on the rise. Producers and handlers indicate that much of the first half of the production season product is fully committed. Shipments continue to occur using last seasons' production with new product basically not yet clearing the region. At this point, manufacturers and handlers are optimistic about the new season.

1.25% BUTTERFAT: 2,000 - 2,200

WHOLE MILK POWDER (WMP): Whole milk powder markets remain firm. Orders continue to be filled from inventoried stocks with new production just getting underway. Handlers and traders indicate that carryover stocks from last season will be very minimal, thus very little, if any at all, will be available for spot buyer interest. For the most part, new production is being fully committed to regular and ongoing customer needs with little new production available for additional buyer interest.

26% BUTTERFAT: 2,000 - 2,200

Exchange rates for selected foreign currencies: AUGUST 16, 2004
.7649 Canadian Dollar .0216 Indian Rupee
.3317 Argentina Peso .6666 New Zealand Dollar
.0879 Mexican Peso .7189 Australian Dollar
.2783 Polish Zloty .0091 Japanese Yen
1.2365 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0879) = 11.3766. That is 1 US Dollar equals 11.3766 Mexican Pesos. Source: "Wall Street Journal"

JULY MILK PRODUCTION

Milk production in the 20 major States during July totaled 12.5 billion pounds, up 0.7 percent from July 2003. June revised production, at 12.4 billion pounds, was down 0.1 percent from June 2003. The June revision represented an increase of 1 million pounds from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,613 pounds for July, 16 pounds above July 2003.

The number of cows on farms in the 20 major States was 7.75 million head, 27,000 head less than July 2003, but 11,000 head more than June 2004.

JULY 2004 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2003	2004	2003	2004	2003	2004	% CHANGE FROM 2003
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	158	1,750	1,820	271	288	6.3
CA	1,690	1,728	1,755	1,780	2,966	3,076	3.7
FL	141	139	1,215	1,340	171	186	8.8
ID	408	422	1,880	1,840	767	776	1.2
IL	110	107	1,490	1,520	164	163	-0.6
IN	148	150	1,625	1,640	241	246	2.1
IA	201	192	1,580	1,570	318	301	-5.3
KY	115	111	1,005	1,055	116	117	0.9
MI	304	301	1,830	1,785	556	537	-3.4
MN	475	465	1,455	1,470	691	684	-1.0
MO	129	122	1,150	1,240	148	151	2.0
NM	316	330	1,795	1,770	567	584	3.0
NY	673	656	1,515	1,495	1,020	981	-3.8
OH	260	266	1,450	1,460	377	388	2.9
PA	574	559	1,500	1,510	861	844	-2.0
TX	320	320	1,395	1,540	446	493	10.5
VT	148	145	1,505	1,525	223	221	-0.9
VA	114	102	1,210	1,340	138	137	-0.7
WA	244	240	1,965	1,940	479	466	-2.7
WI	1,255	1,240	1,515	1,505	1,901	1,866	-1.8
20 STATE TOTAL	7,780	7,753	1,597	1,613	12,421	12,505	0.7

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (8-04), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

AUGUST MILK SUPPLY AND DEMAND ESTIMATES*

The milk production forecasts for 2003/04 and 2004/05 are raised from last month based on the July *Milk Production* report that indicated a slightly larger cow herd. The all milk price forecast for 2003/04 is unchanged. The Class III price forecast is raised to \$14.90-\$15.00 per cwt., but the Class IV price is lowered to \$12.25-\$12.45 per cwt. The all milk forecast for 2004/05 forecast is lowered. Both the Class III and Class IV price forecasts are reduced compared with last month as product prices are expected to be weaker in the face of larger milk supplies.

Item	2002/03 1/	2003/04 Projection 1/		2004/05 Projection 1/		
		July	August	July	August	
BILLION POUNDS						
SUPPLY						
BEGINNING COMMERCIAL STOCKS 2/	11.2	11.0	11.0	8.7	9.0	
PRODUCTION	170.4	169.4	169.7	171.7	172.3	
FARM USE	1.1	1.1	1.1	1.0	1.0	
MARKETINGS	169.3	168.3	168.6	170.7	171.3	
IMPORTS 2/	5.0	5.6	5.8	5.1	5.1	
TOTAL COMMERCIAL SUPPLY 2/	185.5	184.9	185.4	184.5	185.4	
USE						
COMMERCIAL USE 2/ 3/	173.3	176.3	176.4	176.2	177.1	
ENDING COMMERCIAL STOCKS 2/	11.0	8.7	9.0	8.2	8.2	
CCC NET REMOVALS:						
MILKFAT BASIS 4/	1.2	0.0	0.0	0.1	0.1	
SKIM SOLIDS BASIS 4/	8.8	2.5	2.7	3.9	4.0	
DOLLARS PER CWT.						
MILK PRICES 5/						
CLASS III 6/	10.63	14.70-14.80	14.90-15.00	11.80-12.70	11.65-12.55	
CLASS IV 6/	10.05	12.45-12.65	12.25-12.45	11.15-12.25	11.00-12.10	
ALL MILK 7/	11.91	15.60-15.70	15.60-15.70	13.15-14.05	13.00-13.90	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS 4/						
BUTTER	29	-6	-6	0	0	
CHEESE	47	7	7	6	6	
NONFAT DRY MILK	719	210	225	330	340	
DRY WHOLE MILK	0	0	0	0	0	
		QUARTERLY 8/			ANNUAL 8/	
		2004 III	2004 IV	2005 I	2004	2005
BILLION POUNDS						
MILK PRODUCTION	41.7	42.0	43.3	170.1	172.6	
DOLLARS PER CWT.						
ALL MILK PRICE 5/ 7/	15.35-15.65	14.60-15.20	12.90-13.80	15.65-15.85	12.90-13.90	
CLASS III PRICE 5/ 6/	14.35-14.65	12.90-13.50	11.10-12.00	14.80-15.00	11.60-12.60	
CLASS IV PRICE 5/ 6/	12.20-12.60	11.40-12.20	10.70-11.80	12.55-12.85	11.00-12.20	

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

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

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

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JULY

HIGHLIGHTS -- Handler reports of receipts and utilization under the Federal milk order system for July have been filed and tabulated. Combined totals for the 10 orders are being released. During July, about 10.0 billion pounds of milk were received from producers. This volume of milk is 43.6 percent higher than the July 2003 volume on a comparable market basis.

(Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is -3.5 percent.) About 3.6 billion pounds of producer milk were used in Class I products, 0.1 percent higher than the previous year on a comparable market basis. Calendar composition had a positive impact on milk used in Class I in 2004 as compared to 2003. The all-market average Class utilization percentages were; Class I = 36%, Class II = 12%, Class III = 40%, and Class IV = 12%. The weighted average statistical uniform price was \$16.84 per cwt., \$2.07 lower than last month, and \$4.84 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JULY 2004										
FEDERAL MILK ORDER MARKETING AREA ^{1/}	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE ^{2/}
		TOTAL	CHANGE FROM PREV. YEAR ^{3/}	TOTAL	CHANGE FROM PREV. YEAR ^{3/}	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,996.0	-1.0	865.4	2.3	43	19	25	13	17.64
Appalachian (Charlotte)	005	518.9	8.0	349.1	-5.7	67	16	7	10	18.94
Southeast (Atlanta)	007	542.3	-1.6	372.6	1.9	69	11	14	6	19.10
Florida (Tampa)	006	231.6	2.3	203.4	3.7	88	8	2	2	21.01
Midwest (Cleveland)	033	1,487.4	46.1	520.5	-0.3	35	16	44	5	16.55
Upper Midwest (Chicago)	030 ^{4/}	2,202.1	233.6	354.5	8.2	16	6	71	7	15.57
Central (Kansas City)	032	1,271.6	67.4	344.3	-7.9	27	12	49	12	16.03
Southwest (Dallas)	126	875.0	47.0	328.6	1.1	38	14	24	24	17.08
Arizona-Las Vegas (Phoenix)	131	228.5	-6.3	74.0	-10.8	33	10	35	22	16.19
Western (Salt Lake City)	135 ^{5/}	----	---	---	---	---	---	---	---	---
Pacific Northwest (Seattle)	124 ^{4/}	648.0	57.5	173.3	0.5	27	7	33	33	15.74
ALL MARKET AVERAGE OR TOTAL	^{3/} ^{4/}	10,001.3	43.6	3,585.7	0.1	36	12	40	12	16.84

^{1/} Names in parentheses are the major city in the principal pricing point of the market.

^{2/} Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

^{3/} Percent changes from the previous year are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order; see ^{5/}.

^{4/} Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 60 million pounds of milk that normally would have been associated with these markets. In July 2003, the estimated not-pooled volume of milk was 3.5 billion pounds, occurring in Order Nos. 005, 030, 032, 033, 124, 126, and 135. After adjusting for these not-pooled volumes, the year-to-year percent change is -3.5.

^{5/} Effective April 1, 2004, the Western Milk Marketing Order was terminated.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 16 - 20, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 08/06/04	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	4,175,464	1,290,293	2,885,171	341,109,511	591,153,074	557,654,000	1,218,461,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	4,175,464	1,290,293	2,885,171	340,990,463	591,749,888	604,045,000	1,264,852,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 99,154,190 \$ 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 16 - 20, 2004 =	0.6	33.6	COMPARABLE PERIOD IN 2003 =	1.6	5.4
CUMULATIVE SINCE OCTOBER 1, 2003 =	74.1	3,969.1	CUMULATIVE SAME PERIOD LAST YEAR =	760.2	7,297.5
CUMULATIVE JANUARY 1 - AUGUST 20, 2004 =	48.6	2,619.9	COMPARABLE CALENDAR YEAR 2003 =	686.1	6,031.9

* 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 16 - 20, 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-	2,885,171	-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	8,493,089	24,411,395	2.5	39.6
WEST	-42,309	11,446,631	-0-	9,174,240	328,213,600	529,768,697	96.2	59.3
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	340,990,463	591,749,888	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 07/31/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2004-Dairy	0.1	0.8	6.2	2.1	16.9	2.3	0.9	0.9	11.0	2.3	43.3	1,385.6	46.4	46.9
2003-Dairy	0.2	0.7	7.0	4.6	19.2	2.4	0.3	1.0	12.8	2.6	51.0	1,668.9	46.1	47.8
2004-All cows	0.1	0.8	7.6	11.6	26.8	13.5	12.1	2.8	13.1	5.0	93.3	2,955.1		
2003-All cows	0.2	1.0	9.3	14.4	29.8	15.1	16.7	3.1	15.4	5.8	110.7	3,490.6		

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	13.94			
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