

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (8/27)
BUTTER: Grade AA closed at \$1.5900. The weekly average for Grade AA is \$1.5425 (N.C.).

CHEESE: Barrels closed at \$1.5300 and blocks at \$1.5300. The weekly average for barrels is \$1.5880 (+.0200) and blocks, \$1.6020 (-.0035).

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 following the up and down movement of CME cash trading over the past few weeks. The current firming trend has producers and handlers questioning if this is the usual late summer/early fall firmness. Many feel that if this is the typical firming trend, they do not foresee a significant spike in price. Churning activity is seasonally active. Cream volumes vary, although many butter producers report more standardized cream available to them as school bottling schedules increase. Butter stocks are sufficient for current fair at best demand. Imports continue to enter the U.S. For the first seven months of the year, nearly 11.2 million pounds of quota butter compared to 8.0 million pounds last year entered the country. For the same January – July period, non quota or high tier volumes totaled 15.9 million pounds compared to 114,000 pounds during the seven month period in 2003.

CHEESE: The cheese market is unsettled to weak. Natural cheese orders have improved though often still lighter than anticipated. Cheese supplies are generally tightest on non-cheddar American varieties and, to some degree, current barrels. Process movement is steady to occasionally improved. Mozzarella sales are irregular with supplies more than adequate for the steady to improving interest. Milk and cheese production are generally heavier than expected for late summer, due in part to an unseasonably cool summer in the upper Midwest and Northeast. Cheese yields have also held up better than expected in these areas. Manufacturing milk supplies are tightening as more schools reopen for the new year.

FLUID MILK: Milk production patterns across the country are generally following late August trends, although heavier in some areas. Temperatures and weather patterns have moderated in most areas with heat stress less of a concern. School milk bottling pipelines continue to fill. Many schools in the southern part of the country have returned to classes with the balance returning in the next one to two weeks. Florida is slowly getting back to normal after Hurricane Charley. Most businesses again have electricity and schools are back in session. Florida's milk needs increased sharply and imports jumped significantly from many sources. Milk production in Florida is still lagging and actual volumes lost because of the storm are not known. Cream markets are generally steady. Supplies of cream are generally available across the country, although buyers have mixed opinions on how to market or buy at this time. Ice cream production is seasonally active but trending lower as the summer vacation season comes to an end and families return to fall school schedules.

DRY PRODUCTS: The overall tone to dry dairy product markets is steady to weaker with prices unchanged to lower for fair at best sales activity. Nonfat dry milk markets are steady to weak with prices generally steady to lower.

Some manufacturers are finding it increasingly difficult to compete with aged CCC NDM sell-back supplies and are therefore reducing their prices to remain competitive. In many areas of the country, production is heavier than anticipated due to higher milk receipts, especially in Western areas where they expect clearances to CCC to continue. Overall powder demand is slow for new product with many buyers looking to the resale market for older stocks at more competitive prices. Buttermilk powder markets are steady to weak. Sales activity continues to center on contract sales and condensed buttermilk. Stocks are adequate for the overall slow demand. Buyer resistance is partially in response to the significant availability of NDM which is a low cost substitute to buttermilk. Whey powder prices are unchanged to lower on a steady to weak market. Stocks vary from coast to coast, with supplies in close balance in the East, balanced in the Central part of the country with Western producers reporting heavier than desired stock levels.

CCC: For the week of August 23 - 27, CCC purchases total 3,548,755 pounds of Western NDM; 1,882,083 pounds of NDM were purchased under price support with 1,666,672 pounds purchased under Invitation 080 to Announcement FMP1.

COLD STORAGE (NASS): During July, U.S. cold storage holdings of butter totaled 187.1 million pounds, basically unchanged from June but 34.1% lighter than July 2003. Natural American cheese holdings total 621.5 million pounds, 5.3% heavier than last month and 12.5% more than July of last year. Nonfat dry milk holdings for the end of June total 756 million pounds, 7.1% lighter than last month and 44.6% lighter than June 2003. June government holdings account for 83.1% of the total.

DAIRY OUTLOOK (ERS): Cheese and butter markets have undergone dramatic adjustments following their extreme April price peaks. Prices should be less volatile during the rest of the year if the adjustment process is as close to complete as it appears. However, prices are expected to slip slowly as market fundamentals ease. Wholesale movement of cheese jumped during February-April as cheese buyers scrambled to lay in stocks to protect themselves against the possibility of shortages. Once the price bubble burst, users cut purchases and began to bring down their pipeline holdings. Patterns in the butter market were almost the reverse of the cheese patterns. During February-April, butter output fell sharply as milk was diverted into cheese, cream and nonfat dry milk were used to boost cheese output, and milkfat users built pipelines for later use. Commercial disappearance of butter was down considerably from a year earlier even though final sales reportedly were fairly brisk.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first six months of 2004 totals 85.7 billion pounds, 1.0% more than the same period in 2003. Comparing disappearance levels with year earlier levels: butter is -0.3%; American cheese, +1.9%; Other cheese, +4.6%; NDM, +75.7%; and fluid milk products, -1.9%.

CONSUMER PRICE INDEX (BLS): The July CPI for all food is 186.8, 4.0% above July 2003. The dairy products index at 187.7, is 14.0% higher than a year ago. The following are the July to July changes for selected products: fresh whole milk +26.0%, cheese +11.2%, and butter +41.7%.

MONTHLY COLD STORAGE (PAGES 7-8)

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

PRODUCT	MONDAY AUGUST 23	TUESDAY AUGUST 24	WEDNESDAY AUGUST 25	THURSDAY AUGUST 26	FRIDAY AUGUST 27	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.6200 (N.C.)	\$1.6200 (N.C.)	\$1.6200 (N.C.)	\$1.5500 (-.0700)	\$1.5300 (-.0200)	(-.0900)	\$1.5880 (+.0200)
40# BLOCKS	\$1.6525 (N.C.)	\$1.6525 (N.C.)	\$1.6250 (-.0275)	\$1.5500 (-.0750)	\$1.5300 (-.0200)	(-.1225)	\$1.6020 (-.0035)
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	\$1.5075 (+.0125)	----	\$1.5300 (+.0225)	----	\$1.5900 (+.0600)	(+.0950)	\$1.5425 (N.C.)

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 23, 2004

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.6500, 1 @ \$1.6525; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 10 CARS GRADE AA: 2 @ \$1.4700, 2 @ \$1.4725, 2 @ \$1.4950, 1 @ \$1.4900, 1 @ \$1.4950, 1 @ \$1.4900, 1 @ \$1.5000; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.5075, 1 @ \$1.4725, 3 @ \$1.4700, 1 @ \$1.4200, 1 @ \$1.4000; OFFERS UNCOVERED: 2 CARS GRADE AA @ \$1.5200

TUESDAY, AUGUST 24, 2004

CHEESE — SALES: 4 CARS 40# BLOCKS: 2 @ \$1.6500, 2 @ \$1.6525; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.6525
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, AUGUST 25, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS 40# BLOCKS: 1 @ \$1.6250, 1 @ \$1.6450, 1 @ \$1.6475, 3 @ \$1.6525
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 17 CARS GRADE AA: 1 @ \$1.4700, 3 @ \$1.4725, 2 @ \$1.4700, 1 @ \$1.4725, 2 @ \$1.4825, 1 @ \$1.4750, 1 @ \$1.4775, 2 @ \$1.5075, 2 @ \$1.5100, 1 @ \$1.5225, 1 @ \$1.5300; BIDS UNFILLED: 21 CARS GRADE AA: 1 @ \$1.5100, 1 @ \$1.5000, 3 @ \$1.4975, 1 @ \$1.4925, 1 @ \$1.4875, 2 @ \$1.4825, 1 @ \$1.4800, 2 @ \$1.4775, 2 @ \$1.4725, 4 @ \$1.4700, 1 @ \$1.4600, 2 @ \$1.4500; OFFERS UNCOVERED: NONE

THURSDAY, AUGUST 26, 2004

CHEESE — SALES: 5 CARS 40# BLOCKS @ \$1.5500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5500; 3 CARS 40# BLOCKS: 2 @ \$1.5500, 1 @ \$1.6250
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, AUGUST 27, 2004

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.5300; 3 CARS 40# BLOCKS: 2 @ \$1.5300, 1 @ \$1.5500
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 10 CARS GRADE AA: 2 @ \$1.5400, 1 @ \$1.5450, 1 @ \$1.5575, 1 @ \$1.5700, 1 @ \$1.5725, 1 @ \$1.5800, 1 @ \$1.5850, 2 @ \$1.5900; BIDS UNFILLED: 9 CARS GRADE AA: 3 @ \$1.5800, 1 @ \$1.5600, 2 @ \$1.5400, 1 @ \$1.5200, 1 @ \$1.5100, 1 @ \$1.5000; OFFERS UNCOVERED: NONE

BUTTER MARKETS

JULY COLD STORAGE

According to NASS, July month-ending cold storage figures for butter total 187.1 million pounds, 34.1% less than last July but basically unchanged from last month's holdings.

NORTHEAST

The market tone is unsettled. After decreasing during the first week of the month, butter increased the second week, and both higher and lower during the third week. On Monday, August 23, the butter price did increase. Contacts comment that buyers are having difficulty making purchasing decisions in an up and down market. Overall demand is slow to fair particularly at retail where prices remain high. Food service interest is mixed, better in the urban areas and slowing in resort areas. Churning activity is expected to be heavier this week and the plant that was down last week is back on line. Bulk and packaged butter supplies are more than ample to cover current needs. 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

Cream supplies from local and outside sources are reported to be available which are keeping many butter operations seasonally active. Local butter producers are anticipating that standardized cream volumes will be increasing during the next few weeks as bottling pipelines fill for school milk needs. Stocks, although trailing last year at this time, are in better shape than many producers and handlers anticipated for this time of the summer. In many instances, current churning activity is keeping pace with demand with surplus volumes entering inventory programs. Butter demand has little changed from recent weeks. Consumers appear to remain resistant to higher than desired prices at the retail

level with overall retail sales classified as fair. Food service orders are slowing. Restaurant and food service orders, especially from vacation and resort areas, are lighter as most buyers have assessed their supply situation and placing orders accordingly. Many food service buyers look at this time of the summer and the upcoming Labor Day holiday weekend as the end of the vacation season. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

WEST

Butter prices have been mixed the last few weeks at the cash CME market. The first week of August prices were sharply lower. The second week prices recovered more than half the loss. The third week, last week, prices started the week higher, but finished the week down 7.75 cents. This week prices started to recover again. These price gyrations are causing some consternation among buyers. They know that they need some additional butter for fall needs, but they don't know when to make the additional purchases. Some Western churns are looking for and finding some extra cream to increase their weekly churning schedules. Retail sales are being called only fair and food service accounts are beginning to back off orders in summer vacation areas. More schools are starting each week now as fall approaches. U.S. cold storage holdings of butter at the end of July total 187.1 million pounds, unchanged from June but down 34% or 96.8 million pounds from last year. Weekly CME holdings of butter totaled 99.3 million pounds last week, down 5.0 million pounds from the previous week. Last year stocks stood at 181.0 million pounds for the comparable week. Prices for bulk butter range from 2 to 5 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
AUGUST 21	1,5070	1,5288	0,8583	1,5389	0,2196
	9,299,574	9,307,023	18,215,397	2,588,960	11,276,152

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

CHEESE MARKETS

NORTHEAST

Prices rebounded at the CME last week and wholesale prices have moved higher. The market tone is firm, but some contacts wonder why. Some point to the large stocks and slow retail demand. Others however, cite improved demand for fresh cheeses and the expected tighter milk supply when schools/colleges reopen. Labor Day is fast approaching and many vacation-area or seasonal fast food stands will be shutting down or curtailing operations. This will impact food service cheese sales, but these slower orders may be offset by the improved orders in the urban areas. Cheese production in the Northeast is currently steady. Cheese stocks are adequate to meet the current, slow to fair demand.

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

Cheddar 10# Prints	:	1.6750-2.1900
Cheddar Single Daisies	:	1.6325-2.1075
Cheddar 40# Block	:	1.7475-2.0075
Process 5# Loaf	:	1.7775-1.9850
Process 5# Sliced	:	1.7975-2.0375
Muenster	:	1.8475-2.0500
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

MIDWEST

The cheese market is unsettled to steady. Some traders are wondering if milk and cheese supply/demand conditions warrant these cheese prices, especially in the unseasonably cool upper Midwest. Non-cheddar American type demand remains strong but cheddar offerings are somewhat more available. Strong interest in pepper jack and colby/jack mixtures continues, but these products are made just for the customer order. Many cutters and some processors need some overtime to fill customer orders. Barrel interest remains seasonally good. Sizeable CCC process cheese deliveries frontloaded in the school year are also keeping some process lines busy. Mozzarella interest is mixed with some buyers backing off on purchases at current prices. Cheese production is little changed. According to Federal Order #30, butterfat and protein levels have been higher than recent years for June and July, aiding in slightly higher cheese yields than expected. With the weak butter market, cheese makers are trying to utilize more fat through the cheese vat rather than standardize the fat off.

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

Process American 5# Loaf	:	1.7475-2.0700
Brick And/Or Muenster 5#	:	2.0500-2.2625
Cheddar 40# Block	:	1.9500-2.2650
Monterey Jack 10#	:	2.1200-2.2650
Blue 5#	:	2.3575-2.7700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9050-2.3650
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
08/23/04	53,717	:	142,192
08/01/04	56,496	:	151,542
CHANGE	-2,779	:	-9,350
% CHANGE	-5	:	-6

WEST

Cheese prices staged a nice rally last week at the cash CME market and prices are holding steady to down slightly so far this week. Availability of current cheese is in fairly close balance, but warehouse stocks are readily available. U.S. stocks of American cheese at the end of July total 621.5 million pounds, the second highest month for cheese stocks on record. Stocks are up 5% or 31.2 million pounds since June which is the largest July buildup since 1972. Stocks are up 13% or 69.1 million pounds since last year. Swiss stocks total 28.7 million pounds, down fractionally from last year. Buyers are continuing to look for current cheese to cover fall needs and to beat any possible further price increases. Mozzarella stocks are heavy, but the start of the fall school season should begin to stimulate additional demand. Swiss sales are fair for this time of year.

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

Process 5# Loaf	:	1.7200-1.9800
Cheddar 40# Block	:	1.7250-2.0775
Cheddar 10# Cuts	:	1.9050-2.1250
Monterey Jack 10#	:	1.9150-2.0750
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.8700

FOREIGN

Prices are unchanged to higher and the market tone is unchanged. Demand is still slow to fair and supplies are sufficient to cover current orders. Reports indicate that EU cheese prices on most varieties have and are holding steady. In the EU-15, cheese production during the first quarter of 2004 declined slightly. Early estimates indicate the cheese production is down 1.0% from the same period last year. According to the report, cheese output during the first four months of 2004 increased in Germany, Greece, and the Netherlands while declining in the other member states.

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 : 1.9700-3.4600*
Gorgonzola	:	3.6900-5.9400 : 2.4750-2.4900*
Parmesan (Italy)	:	TFEWR : 3.3800-3.4900*
Romano (Italy)	:	2.1000-3.1500 : -0-
Provolone (Italy)	:	3.4400-5.5500 : 1.9825-2.2050*
Romano (Cows Milk)	:	-0- : 3.1650-5.3400*
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	225	0	157	0	199	0
SOUTHEAST STATES	40	0	40	0	10	0

The base price for Class I milk for September 2004 is \$13.94, down \$0.68 from August. A Class I differential specific to each pricing point (county) is added to the base price to determine the applicable Class I price. The Class II skim milk price for September is \$7.11, up \$0.04 from August. Milk production continues to hold at levels above expectations. There have been no prolonged periods of hot weather in the East, which causes less stress on the cows and is keeping milk output from falling along seasonal patterns. Milk supplies range from adequate to long, an unusual situation for late August. Reports this week indicate that a major milk supplier is trying to move surplus milk to other operations for processing. Florida is slowly getting back to normal after Hurricane Charley. Most businesses again have electricity and schools are back in session. Some scattered, rural areas are still without power. Florida's milk needs increased sharply and imports jumped significantly from last week. Milk production in Florida is still lagging and actual volumes lost because of the storm are not known. It was noted that in the hardest hit areas, milk output dropped approximately 50% immediately after the storm and may still be off 30% this week. Also, milk quality issues have been commonplace as dairy farmers work hard to get back to normal operations. With Northeast school reopenings scheduled to be heavy during the next week or two, Class I milk needs are anticipated to increase during that period. Surplus milk volumes are heavier than expected for August and some excess loads are being offered. These offerings are in addition to the loads being shipped to meet Florida's needs. Demand for these loads is less than enthusiastic. The condensed skim market is little changed. Prices for Class III condensed are expected to increase in September and interest remains slow. Class II sales are mostly contractual. The fluid cream market is also steady. Supply and demand are in relatively good balance. Class II demand is fair to good and prices are up slightly. Reports indicate that ice cream production is holding up better than expected. Maybe some plants are taking advantage of the current, low cream prices, but there are also reports of producers cutting operations from six days a week to five. The cooler than normal weather is being cited for a summer of slower than normal ice cream sales. Some cream suppliers are noting that cream cheese producers are starting to take a little more cream, which is expected at this time of year. Churning activity is heavier this week as the plant that was down last week is back on line.

steady to lighter with fewer cream imports needed from the West. Cream demand was uneven, good some days and sluggish the next. Manufacturing milk interest was also irregularly about steady as offerings increase in some areas and decline in others. Reported spot manufacturing milk premiums generally are around \$1.75 – 2.50 net fob over class. Cheese plant schedules are steady to lighter, particularly where schools have reopened. Condensed skim interest remains light from Class III accounts but heavier for Class II users. At least in Federal Order #30, the average fat and protein tests during June and July 2004 were above the same months in most recent years. Unseasonably cold temperatures, including record early frost in parts of the Dakotas, Minnesota, northern Michigan, and Wisconsin have slowed or ended the growing season prematurely though the overall affect on the U.S. total crop may be minor. Certainly, the concern over the feed situation was not improved by the frost. Current milk intakes are little changed in the upper and mid section of the region.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 53.00- 58.00	\$ 45.00- 48.50
REPLACEMENT HEIFER CALVES	\$350.00-650.00	\$300.00-525.00

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

	AUGUST 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 54.00- 60.00	\$ 48.00- 52.00

WEST

CALIFORNIA milk production is rebounding as weather conditions are accommodating to milk cows. In the South, milk volumes are coming back after some heat related declines from several weeks ago. Cheese plants are currently looking for additional milk. Bottled milk orders are improved ahead of schools and colleges starting and as several retailers are locally featuring milk. Milk supplies have grown in the Central Valley. Rebounds of 2 - 5% are noted in the past week to 10 days as temperatures have moderated. Comparisons to last August, when there was heat stress, show big gains. Feed is available and affordable at current grain and milk prices. Milk output is stronger in the more northern producing areas with some limitations on pasture based dairies due to dry conditions. Orders are building from school lunch programs. NEW MEXICO milk output is steady to slightly higher when compared to last week. Conditions have been fair for milk production with some hot weather noted, but not oppressive. Reports indicate that milk intakes are up compared to last year. More dairies and cows are operating in the state. Local fluid milk needs are higher for school milk demand. Milk movements to the Southeast are holding steady. CREAM prices are mostly steady to slightly higher. The butter price at the CME closed at \$1.53 on Wednesday, August 25, unchanged from a week earlier. Demand for cream is often lighter from ice cream producers. Supplies are heavier with higher milk output and more fluid milk standardizing. Cream is moving into California at less expensive rates than is available locally due to state order pricing. Contacts are also buying spot loads at prices less than their contract prices. Multiples are steady and trade from 120 to 134, FOB and vary depending on class usage and basing point. Conditions have changed from hot and dry to cool and wet in the PACIFIC NORTHWEST. The rain has caused some real problems with harvesting quality hay. Some of it has been in the field long enough to turn black with no good options left. Reports indicate that much of the hay in the region is spoken for and if you are not covered it may be hard to find the quality of hay that you desire for your dairy operation. The heat from a few weeks ago had taken milk production lower, but the cool conditions have allowed some recovery to take place. Plant milk intakes remain down and there is not much complaining about that. Cool weather with some rain has also moved into the UTAH and IDAHO area. The moisture is generally welcomed by most growers in the region. Milk intakes are at budgeted levels for most plants in the region. Indications are that permits for increased cow numbers are being issued in the region. Heifer prices at a major Idaho auction market had been weakening, but they showed some real strength again last week. The average price was approaching \$1850 and the top end was near \$2200.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT			
F.O.B. PRODUCING PLANTS: NORTHEAST	-	2.0207-2.2366	
DELIVERED EQUIVALENT ATLANTA	-	2.0670-2.2366	M 2.0824-2.1904
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9744-2.2058	
PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS			
F.O.B. PRODUCING PLANTS:			
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	.9150- .9600	
NORTHEAST- CLASS III - SPOT PRICES	-	.9700-1.0200	

MIDWEST

Class I milk use continues to build as more schools and colleges reopen for the new year. More systems will reopen over the next two weeks. Bottlers and handlers were also planning and scheduling milk supplies for the upcoming holiday weekend. Some milk from the region continues to be shipped into the Southeast to supplement local volumes. Some retail feature activity was also stimulating sales of milk and cottage cheese. Class II milk interest was steady to improved. Some producers are again more actively combining condensed skim and NDM for use in producing Class II products. Overall plant milk intakes have tightened in recent weeks, but supplies have not declined as sharply as usual or seem near as tight. Ice cream plant operating schedules are

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 generally unchanged to lower on a weak market. Some manufacturers are finding it increasingly difficult to compete with aged CCC NDM sell-back supplies and are therefore reducing their prices to remain competitive. However, lower prices are reportedly not significantly increasing sales. Movement is best on the resale market where prices are reported from anywhere in the mid 60's to higher for aged stock and in the low to mid 80's for current stocks. Inventories of NDM are higher than anticipated due to mild summer temperatures that encouraged milk production. Offerings from the West are competitive with Central region prices. High heat supplies are more readily available than the month prior yet mostly in balance with demand.

EAST: Eastern prices are steady to occasionally lower. The market tone is weak for current production. Some producers would like to move prices lower but are often locked into pre-established pricing programs. Even if prices were lowered, buyers would likely continue to shop in the resale market where NDM, depending on age, continues to sell in the low to high seventy-cent range. Production levels are little changed. Typically, August is a month when milk supplies tighten, but some contacts report that Eastern milk handlers are looking to move surplus volumes. Either they have too much or do not want to process it themselves. There was one plant that experienced mechanical problems and that temporarily forced more milk onto the market. Producer stocks remain heavier than desired. There seems to be a little more concern about the volumes on hand. Most producers expected output to dry up during the late-summer months and they would then clear their inventories. However, there has been little drop off in drying all this summer and the volumes of government program NDM in the marketplace have reduced the need for the higher priced, current powder. Demand for NDM is about steady, but most spot sales are noted on the resale side of the market.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8200 - .9200 MOSTLY: .8500 - .8700
 HIGHHEAT: .9150 - 1.0700

NONFAT DRY MILK - WEST

Prices for Western low/medium heat nonfat dry milk are mostly unchanged to slightly higher on the top end of the range. The market undertone is weak and weakening. Contract sales activity has slowed as buyers are finding less expensive offerings on the marketplace. Spot interest ranges from "dead" to limited with many sources having NDM available for immediate shipments. Resale activity has slowed, but is where lower priced NDM is available. Production has been active and above anticipated levels to process higher milk receipts. The end of government export contracts is near for several producers and the expectation is that more NDM will have to be offered to the CCC support program. During the week of August 16 - 20, a total of 643,100 net pounds of Western NDM were offered to the government CCC program as a price support purchase. High heat prices are unchanged with little spot trading occurring. Product is moving as expected to contract accounts. Slight increases in orders are noted from bakery and confectionary accounts. Production trends remain light and are at projected levels.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .8825 MOSTLY: .8200 - .8625
 HIGHHEAT: .8500 - .9800

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
August 20	\$.8399	12,833,634	595,152
August 13	\$.8445	13,227,436	1,168,850

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 lower on a weak market. Trades are predominantly noted at the lower end of the range for the light interest. Buyer resistance is partially in response to the significant availability of NDM which is a low cost substitute to buttermilk. Ice cream production is reduced, encouraging more condensed buttermilk into dryers. Excess supplies of cream are also being diverted away from ice cream and into butter churns, increasing condensed and dry buttermilk production. Inventories are heavier than desired at some locations, especially for aged stocks.

F.O.B. CENTRAL: 1.0500 - 1.0800

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to lower and the market tone is unchanged. Production levels increased slightly this week now that most butter producers are back on line. However, most are not aggressively looking for more cream to churn. Dry buttermilk stocks range from adequate to fully adequate to meet the slow to fair demand. Northeastern prices remain nominal and include resale loads.

F.O.B. NORTHEAST: 1.0000 - 1.0900
 DELVDSOUTHEAST: 1.0100 - 1.1000

DRY BUTTERMILK - WEST

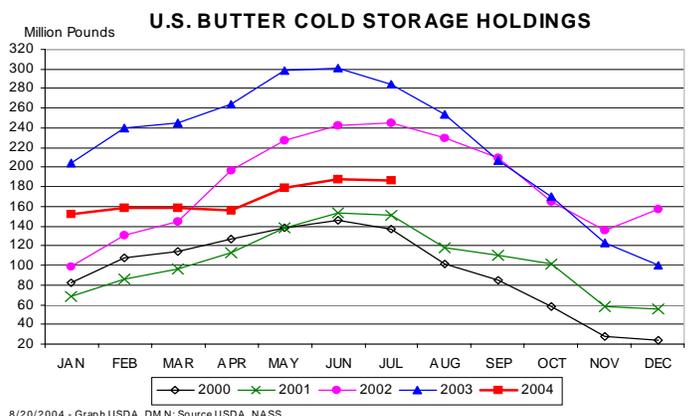
Western dry buttermilk prices are unchanged in limited spot trading. The market tone is steady. Activity is centered on contract sales and sales of condensed buttermilk. Spot interest is limited and not testing the market. Production levels are mixed depending on dispositions of condensed, but with butter churning active, there are more buttermilk solids available. Demand is fair seasonally. There are indications that ice cream producers are using less buttermilk solids as their seasonal production winds down. Inventory levels are mostly balanced but some producers have more than desired.

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 and remains highly competitive. Reports of imported dry whole milk continue and offering prices are often below current, U.S.-made offers. Spot demand is unaggressive. Plant stocks are balanced, but still heavier than desired at some operations.

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



8/20/2004 - Graph USDA, DMN; Source USDA, NASS

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 unchanged on a steady to weak market. Trade activity is very light. While producers report that their stocks are in better balance, buyers report that they are unable to delay load pick-ups and are being encouraged to take additional loads. Offers are noted at a discount to resellers on multiple loads yet at the average to higher to end-users on single loads. Resellers that have regular contractual shipments from manufacturers report that their stocks are building. Production is mostly steady. Offerings of condensed whey are noted for the light interest.

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

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to move fractionally lower, but spot sales activity at the producer level remains limited. Few, if any, Eastern producers have product to offer on the spot market. If they do happen to come up with an extra load, those loads go to contract buyers. Production levels are light to moderate. Most cheese makers are taking a little more milk to meet improved demand for fresh cheeses, but output seems to be lagging year ago levels. One operation is scheduled to shut down for the month of September for renovations, which will further tighten dry whey availability. Traders continue to report a lackluster buying interest and limited market activity. There is some interest as users' stocks are depleted, but buyers are mostly purchasing for immediate needs. Feed makers are taking contracted volumes and shopping for the best spot deals they can find. Traders continue to comment about the inactivity in this market and how long it has stayed this way.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2175 - .2600
DELVD SOUTHEAST: .2450 - .2550

DRY WHEY - WEST

Prices range from steady to fractionally lower for Western whey powder. Producers seem to be mixed in their assessment of the market. Some feel that a bottom is near and sales activity is improving. Others feel that sales are still slower than anticipated and stocks are heavier than desired. Production levels are declining seasonally. Demand ranges from fair to slower than anticipated for the current price level at this time of year. There is no consensus as to what direction the market will take over the next few weeks.

NONHYGROSCOPIC: .1950 - .2500 MOSTLY: .2050 - .2200

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on a steady to weak market. Trade activity is light yet supplies are more available than the week prior. Feed buying interest for milk replacer whey is improving seasonally in response to end-product orders. Veal and early weaned pig prices are trending steady to higher.

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

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mixed on a steady to weak market. Trade activity remains very light. Although producers report that their stocks are mostly in balance, resellers acknowledge that their inventories are heavier than desired. Reseller offers at a discount are being met with resistance. Some renewed export interest is reported into Mexico. Asian buyers are not certain that the market has bottomed and are awaiting price signals before purchasing additional spot loads. Domestic movement is mostly contractual. Off grade WPC 80% and 34% are competitive with Extra Grade 34% for the light feed demand.

F.O.B. EXTRA GRADE 34% PROTEIN: .6050 - .6350 MOSTLY: .6100 - .6350

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a weak market. Spot trade activity is very light with most movement occurring on contracts. Stocks are in better balance than the week prior yet still somewhat long at a few locations. Higher mesh sizes appear to be in better balance with demand than lower mesh sizes. Heavier supplies of lactose are thought to be a reflection of increased production of WPC 80% and 90% and reduced export interest from Asian and Oceania markets. The undertone for fourth quarter is reported as steady to weak.

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 remain firm. Supplies are tight. Domestic buyers are concerned about securing needed volumes to meet their needs. In many instances, suppliers are having difficulty in fully meeting customer needs and are having to delay or adjust scheduled volumes. Due to lighter than desired volumes, both buyers and suppliers are looking to other sources for supply, but in most instances, these inquiries are going unfilled. Under invitation #024, the Commodity Credit Corporation (CCC) invited competitive offers to purchase from CCC approximately 2 million pounds of government owned nonfat dry milk for the production of casein/caseinates. Bids were due on Wednesday August 25 with public notice of awards on Friday August 27. Since June 2002, 23.3 million pounds of powder have been sold for this purpose at prices \$0.2200 - .4300 per pound. The most recent awards were priced at \$0.4050 and \$0.4300 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.5500 - 2.8000
ACID: 2.5500 - 2.8500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are steady. With Class IV milk prices for August and September estimated to be relatively stable, producers appear more willing to maintain constant evaporated milk output. At times, when milk prices change significantly, monthly production levels are adjusted to take advantage of those changes. More surplus milk was available early this week, which surprised some people considering all the milk that is being shipped into Florida to cover bottling needs. Demand is mostly steady and producer inventories are adequate for current needs. The Kansas City Commodity office announced the issuance of EVD-1, invitation 810 inviting competitive offers to sell to CCC 4,590,000 pounds of evaporated milk for delivery October - December. Offers are due by 9:00 a.m. CDT, August 26, 2004.

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.

MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS

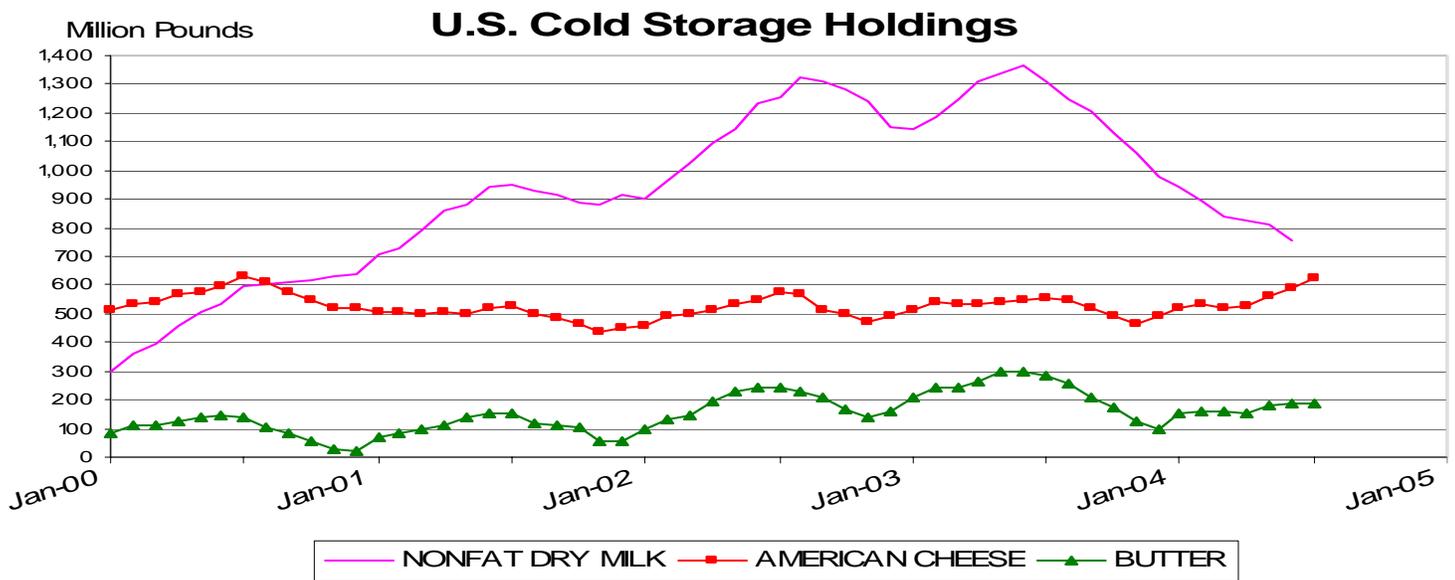
NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated

U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JUNE 30, 2002	JUNE 30, 2003	REVISED JUNE 30, 2004	JULY 31, 2002	JULY 31, 2003	JULY 31, 2004
Butter	242,999	301,425	187,183	245,298	283,879	187,116
Cheese, Natural American	548,675	549,984	590,292	573,368	552,455	621,530
Cheese, Swiss	14,782	26,042	24,108	15,721	28,896	28,697
Cheese, Other Natural	234,099	224,072	227,342	244,489	227,612	224,626
U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS						
Butter	2,026	10,779	155	1,991	11,183	136
Natural American Cheese	786	3,757	8,658	572	6,141	7,076

JULY STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
New England	20,826	22,324	26,935	---	---	---	343	328	442
Middle Atlantic	67,636	54,530	67,134	---	---	---	41,024	17,981	19,614
East North Central	229,008	217,977	240,486	---	---	---	117,009	132,063	124,876
West North Central	138,297	140,622	138,798	---	---	---	68,858	57,392	56,665
South Atlantic	198	130	7,178	---	---	---	2,101	2,300	127
East South Central	231	161	94	---	---	---	196	1,860	2,487
West South Central	3,133	3,260	5,933	---	---	---	203	138	117
Mountain	13,897	19,397	33,213	---	---	---	1,240	2,201	5,733
Pacific	100,142	94,054	101,759	---	---	---	13,515	13,349	14,565
TOTAL	573,368	552,455	621,530	245,298	283,879	---	244,489	227,612	224,626

*Regional breakdowns are not reported to avoid possible disclosure of individual operations.



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2003 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Million Pounds						Million Pounds						Million Pounds					
January	152	205	151	204	1	<u>3/</u>	518	515	508	515	10	<u>3/</u>	945	1,147	109	112	836	1,036
February	158	240	157	238	1	1	533	539	524	538	10	<u>3/</u>	896	1,187	95	116	800	1,071
March	158	245	158	242	1	3	521	531	511	529	10	2	841	1,247	80	137	761	1,111
April	156	264	155	259	<u>3/</u>	5	529	535	519	532	10	3	826	1,308	104	154	723	1,154
May	179	298	178	289	<u>3/</u>	9	561	539	551	536	10	3	814	1,336	123	159	691	1,177
June	187	301	187	291	<u>3/</u>	11	590	550	582	546	9	4	756	1,365	127	152	628	1,212
July	187	284	187	273	<u>3/</u>	11	622	552	614	546	7	6		1,308		90		1,219
August		254		244		10		547		538		9		1,245		75		1,170
September		207		197		10		517		508		9		1,207		69		1,138
October		170		159		11		491		482		9		1,128		69		1,059
November		123		114		9		467		460		7		1,062		87		975
December		100		93		6		491		482		10		978		108		870

1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Jun 30, 2002	Jun 30, 2003	Jun 30, 2004	Jul 31, 2002	Jul 31, 2003	Jul 31, 2004
	Thousand Pounds					
Butter	240,973	290,646	187,028	240,307	272,696	186,980
Natural American Cheese	547,889	546,227	581,634	572,796	546,314	614,454

1/ Total holdings minus Government owned holdings. For more information, see page 7 of this report.

SOURCE: "Cold Storage," Co St 1 (8-04) and "Dairy Products," Da 2-6 (8-04), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

THE DAIRY OUTLOOK

Are Price Collapse Adjustments About Over?

Cheese and butter markets have undergone dramatic adjustments following their extreme April price peaks. Prices should be less volatile during the rest of the year if the adjustment process is as close to complete as it appears. However, prices are expected to slip slowly as market fundamentals ease.

Wholesale movement of cheese jumped during February-April as cheese buyers scrambled to lay in stocks to protect themselves against the possibility of shortages. Once the price bubble burst, users cut purchases and began to bring down their pipeline holdings. Cheese disappearance was weak during May-June as movement of American cheese was almost 2 percent below a year earlier, and sales of other varieties were only barely larger. Although cheese makers slowed production expansion dramatically from the large rises of February-April, reductions in output could not keep pace with the weakening in movement, and warehouse stocks of American cheese built. At midyear, commercial stocks of American cheese were about 35 million pounds larger than either of the 2 preceding years.

Patterns in the butter market were almost the reverse of the cheese patterns. During February-April, butter output fell sharply as milk was diverted into cheese, cream and nonfat dry milk were used to boost cheese output, and milkfat users built pipelines for later use. Commercial disappearance of butter was down considerably from a year earlier even though final sales reportedly were fairly brisk. The May corrections in cheese output quickly made more fat available for butter. June butter production was up sharply from a year earlier, probably partially due to reductions in excess pipeline holdings of milkfat for use in ice cream and other products. The extra butter was welcomed by butter users and May-June movement jumped by about 15 percent. Unlike cheese stocks, warehouse stocks of butter continued to run about 100 million pounds below those of 2003 and about 50 million pounds below 2 years ago.

The additional warehouse holding of cheese and the expected modest recovery in milk production probably will place some downward pressure on cheese prices during the rest of the year—even if pipeline stocks of cheese have been fairly well trimmed. However, demand is projected to stay fairly good, and these bearish supply factors likely will be modest. As yearend approaches, prices are projected to erode slowly rather than collapse.

Prospects for butter prices are more unsettled. Late summer drawdown of pipeline holdings of milkfat ingredients undoubtedly contributed to the recent butter price weakness, as did possibly excessive pipeline butter stocks. However, the overall butter fundamentals seem fairly balanced, leading to the most recent partial recovery. However, weakness in cheese prices probably will add softness to butter prices as butter markets seem unlikely to be able to withstand any significant diversion of milk from cheese.

Dairy Replacement Prices Jump - Prices of dairy cow replacements hit a record \$1,720 per head in July, up more than \$400 from a year earlier. Replacement prices jumped since early 2004 mostly because record milk prices boosted demand for dairy heifers. However, the difference between the average replacement price during April-June and the slaughter value for dairy cows was considerably less than it had been during late 2001 and most of 2002 because of higher cull cow prices.

The inventory of dairy replacement heifers (500 pounds and more) stood at 3.6 million on July 1, unchanged from a year earlier but down slightly from 2 years earlier. Total supplies of heifers were down slightly at midyear because Canadian imports were not available. Typically, annual imports of replacements from Canada have been equivalent to 1 or 2 percent of the replacement herd.

Increased demand for replacements has had the greatest impact on prices. Very high milk prices made farmers anxious to keep their facilities completely full and even to stretch capacity if possible. However, the relatively few farm expansions currently underway kept replacement prices from shooting much higher. The second quarter difference between a cow's purchase price and salvage value was just over \$900, \$200 less than during the strong expansion period in 2002. Farmers probably saw the recent high milk prices as temporary in nature and largely irrelevant to investment decisions.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-122, August 18, 2004, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER ADVANCE PRICES, SEPTEMBER

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for September 2004 is \$13.94 per cwt. 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. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$6.41. Thus, the Class II skim milk price for September is \$7.11 per cwt., and the Class II nonfat solids price is \$0.7900. **Product Price Averages** - The two-week product price averages for September are: butter \$1.6058, nonfat dry milk \$0.8596, cheese \$1.5047, and dry whey \$0.2280.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION <u>1/ 2/</u>				
Federal Milk Order Marketing Area <u>3/</u>	Order Number	September 2004		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		<u>\$ per cwt.</u>	<u>\$ per cwt.</u>	<u>\$ per pound</u>
Northeast (Boston) <u>4/</u>	001	17.19	11.21	1.8215
Appalachian (Charlotte) <u>5/</u>	005	17.04	11.06	1.8200
Southeast (Atlanta) <u>6/</u>	007	17.04	11.06	1.8200
Florida (Tampa) <u>7/</u>	006	17.94	11.96	1.8290
Mideast (Cleveland) <u>8/</u>	033	15.94	9.96	1.8090
Upper Midwest (Chicago) <u>9/</u>	030	15.74	9.76	1.8070
Central (Kansas City) <u>10/</u>	032	15.94	9.96	1.8090
Southwest (Dallas) <u>11/</u>	126	16.94	10.96	1.8190
Arizona-Las Vegas (Phoenix) <u>12/</u>	131	16.29	10.31	1.8125
Pacific Northwest (Seattle) <u>13/</u>	124	15.84	9.86	1.8080
All-Market Average		16.59	10.61	1.8155

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets.

4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 5/ 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. 6/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$.30. 7/ Class I prices at other cities are: Indianapolis 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 prices at Las Vegas is minus \$0.35. 13/ Class I prices at other cities are: Portland, same; and Spokane, same.

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

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
MAY 2004	186.1	4.1	185.9	12.4	196.4	23.7	183.5	9.9	202.0	37.6	181.1	10.0
JUN 2004	186.3	3.7	188.8	15.2	204.1	28.9	185.7	10.7	208.5	46.6	182.3	9.0
JUL 2004	186.8	4.0	187.7	14.0	199.7	26.0	186.7	11.2	204.8	41.7	183.7	9.2
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}			
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	Dollars											
MAY	3.374	2.685	3.758	2.726	4.052	3.589	4.406	3.806	3.744	3.739		
JUNE	3.574	2.676	3.937	2.658	4.090	3.769	4.550	3.796	3.877	3.806		
JULY	3.479	2.708	3.753	2.697	4.077	3.688	4.559	3.736	4.026	3.965		

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

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

Item	Apr.-Jun. 2003	Percent change ^{2/}	Apr.-Jun. 2004	Percent change ^{2/}	Jan.-Jun. 2003	Percent change ^{2/}	Jan.-Jun. 2004	Percent change ^{2/}
	Million Pounds							
MILK								
Production	43,965	-0.3	43,703	-0.6	87,034	0.5	86,404	-1.3
Marketings	43,687	-0.3	43,442	-0.6	86,481	0.5	85,882	-1.2
Beginning Commercial Stocks ^{3/}	12,110	26.1	10,064	-16.9	9,891	40.5	8,331	-15.8
Imports ^{3/}	1,186	-5.5	1,768	49.1	2,425	-0.9	2,925	20.6
Total Supply ^{4/}	56,983	4.2	55,274	-3.0	98,797	3.4	97,138	-2.2
Ending Commercial Stocks ^{3/}	13,442	8.8	11,510	-14.4	13,442	8.8	11,510	-14.4
Net Removals ^{3/}	581	780.3	18	-96.9	958	636.9	-84	-108.8
Commercial Disappearance ^{4/}	42,960	1.7	43,746	1.8	84,397	1.7	85,712	1.0
SELECTED PRODUCTS ^{5/}								
Butter	270.3	2.6	295.7	9.4	580.2	0.5	582.0	-0.3
American Cheese	906.6	-2.6	918.3	1.3	1,801.7	-0.9	1,844.9	1.9
Other Cheese	1,319.1	2.6	1,353.9	2.6	2,567.6	1.2	2,700.9	4.6
Nonfat Dry Milk	221.2	24.6	344.4	55.7	383.1	13.0	676.3	75.7
Fluid Milk Products ^{6/}	13,447.1	-0.1	13,057.4	-2.9	27,425.0	0.4	27,041.4	-1.9

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

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF AUGUST 23 - 27, 2004			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/03	SAME PERIOD LAST YEAR	WEEK ENDING 08/20/04	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-	5,487,615	-0-	-0-
Process	-0-	-0-	-0-	-0-	31,838,400	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	41,166,121	-0-	-0-
NONFAT DRY MILK							
Nonfortified	3,548,755#	-0-	3,548,755	344,658,266#	598,553,096	552,313,000	1,208,201,000
Fortified	-0-	-0-	-0-	-119,048	596,814	46,391,000	46,391,000
TOTAL	3,548,755	-0-	3,548,755	344,539,218	599,149,910	598,704,000	1,254,592,000

Export Donation Program under Invitation 080 to announcement FMP1. The estimated cumulative under Invitation 080 is 100,820,862 \$ 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 23-27, 2004 =	0.8	41.3	COMPARABLE PERIOD IN 2003 =	1.1	85.6
CUMULATIVE SINCE OCTOBER 1, 2003 =	74.9	4,010.4	CUMULATIVE SAME PERIOD LAST YEAR =	761.3	7,383.0
CUMULATIVE JANUARY 1 - AUGUST 27, 2004 =	49.4	2,661.2	COMPARABLE CALENDAR YEAR 2003 =	687.2	6,117.4

* 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 23 - 27, 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-	3,548,755	-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-	9,116,149	331,762,355	537,168,719	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-	41,166,121	344,539,218	599,149,910	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 08/07/04 & Comparable Week 2003

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2004-Dairy	0.1	0.7	5.9	2.2	18.8	2.4	0.7	0.9	11.4	1.8	45.0	1,430.6	47.2	46.9
2003-Dairy	0.2	0.8	6.7	4.9	20.3	3.0	0.4	0.9	13.3	2.3	52.7	1,721.6	46.4	47.8
2004-All cows	0.1	0.7	7.2	11.4	28.7	14.6	12.0	2.6	13.4	4.5	95.4	3,050.5		
2003-All cows	0.2	1.0	8.9	13.7	31.8	16.5	16.7	3.2	15.9	5.6	113.6	3,604.2		

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