

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter is unchanged at \$1.1100, Grade A increased 1 cent to \$1.0300, and Grade B increased 1 cent to \$1.0200. Also at the CME, barrel cheese increased 5 cents to \$1.3400 and 40# blocks are unchanged at \$1.3900.

According to NASS, milk production in the 20 major states during July totaled 11.5 billion pounds, 4.8% above production in these same states in July 1996. June revised production, at 11.4 billion pounds was 4.4% above June 1996. Production per cow averaged 1,480 pounds for July, 80 pounds (5.4%) above July 1996. The number of cows on farms was 7.75 million head, 68,000 head (0.9%) below July 1996 but 9,000 (0.1%) above June 1997.

According to the World Agricultural Supply and Demand estimates report, milk production during the spring quarter was larger than expected. Both output per cow and the number of cows exceeded expectations. From this stronger production point, the milk production forecasts for the remainder of 1996/97 and for 1997/98 were boosted slightly. Stocks of dairy products, particularly nonfat dry milk, have also risen to higher than expected levels. Weak spring movement of cheese was the most important contributor to the stock buildup. More milk was used in manufacturing butter and nonfat dry milk, while the use of powder in cheese production plummeted. As a result, soaring stocks of nonfat dry milk were generated. Stronger cheese prices are expected to result in higher milk prices than forecasted last month, and the milk price forecasts for both 1996/97 and 1997/98 were increased slightly.

In May 1997, mailbox milk prices reported for selected Federal milk orders averaged \$12.40 per cwt., \$.46 less than the figure for April. On a regional basis, the average prices and changes from the previous month were: Northeast, \$12.91, down \$.36; Southeast, \$14.14, down \$.07; Midwest, \$12.24, down

\$.55; and West, \$11.71, down \$.52. Compared to May 1996, mailbox milk prices decreased \$1.32 per cwt. on average.

This week, milk production is steady to slightly heavier due to milder temperatures across the country. Milk output has begun to rebound rather significantly. In fact, suppliers in the Southeast, who were slightly short of milk last week, now have surplus loads looking for processing. Bottled milk demand is increasing as schools begin to reopen. Reported cream prices are mostly steady to occasionally higher and cream interest remains seasonally strong.

Nonfat dry milk prices are generally steady. The market tone remains weak. CCC offerings are heavy as an additional Western producer began to offer NDM under the price support program this week. The buttermilk powder market is mostly steady at unchanged prices. The whey market is steady and production schedules are lighter as milk supplies tighten seasonally. Whey protein concentrate prices are unchanged and the market tone is steady.

During the week of August 11 - 15, CCC net dairy product purchases under the price support program were 3,978,954 pounds of Western nonfortified NDM.

SPECIAL THIS ISSUE

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BUTTERMARKETS

CHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	AUGUST 12	AUGUST 14	AUGUST 15
AA	\$1.1100 - 1.1200 : (.0100) (.0100)	\$1.1100 - 1.1200	\$1.1100 - 1.1200
A	\$1.0200 - 1.0300	\$1.0200 - 1.0300	\$1.0200 - 1.0300

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, Grade AA butter increased one cent to \$1.1100, Grade A is unchanged at \$1.0200, and Grade B is unchanged at \$1.0100. The market tone remains unsettled but firm. Churning schedules are lighter. Stronger ice cream demand, lower fat tests on incoming milk, higher cheese prices, and overall lighter milk production are four factors contributing to lower butter output. In most areas of the country, butter stocks are readily available for the fair demand.

CHEESE MARKETS

WISCONSIN ASSEMBLY POINTS

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES	AUGUST 11 - 15, 1997
BARRELS*	\$1.2800 - 1.3000 (NOMINAL) : (.0600) (.0600)
40# BLOCKS	\$1.3900 - 1.4200 (NOMINAL) : (.0925) (.1025)

() Change from previous week. * If steel, barrel returned.

CHEESE HIGHLIGHTS: The cheese market is generally steady. At the Chicago Mercantile Exchange, blocks were unchanged at \$1.3900 in light trading. Barrels increased 5 cents to \$1.3400 in active trading. Current block supplies and production are about adequate, though affected in the short term by some plant closings for maintenance/retooling. Cheese output is steady to lower reflecting the reopening of schools in a few areas. CCC market price cheese invitations for October delivery are found on page 13 of this report.

CHICAGO MERCANTILE EXCHANGE

BUTTER TRANSACTIONS ON FRIDAY, AUGUST 15, 1997

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	N.C.	\$1.1100 : BID 08/08/97
A	+.0100	\$1.0300 : BID 08/15/97
B	+.0100	\$1.0200 : BID 08/15/97

SALES: NONE

BIDS UNFILLED: 2 CARS GRADE AA @ \$1.0800
 1 CAR GRADE A @ \$1.0300 (LST)
 1 CAR GRADE B @ \$1.0200 (LST)

OFFERS UNCOVERED: 7 CARS GRADE AA:
 2 @ \$1.2000, 5 @ \$1.1500

CHEESE TRANSACTIONS ON THURSDAY, AUGUST 14, 1997

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	+.0500	\$1.3400 : SALE 08/14/97
40# BLOCKS	N.C.	\$1.3900 : SALE 08/14/97

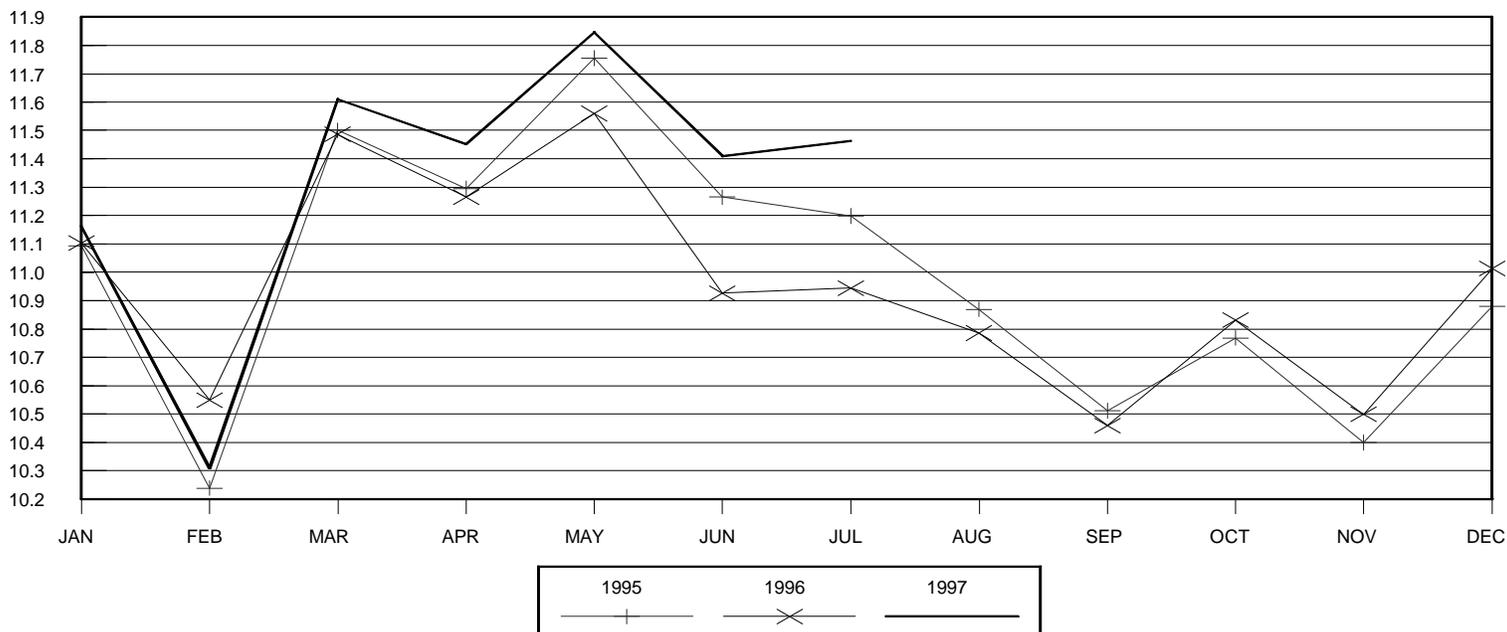
SALES: 51 CARS BARRELS: 1 @ \$1.3200, 2 @ \$1.2900,
 5 @ \$1.2800, 6 @ \$1.2900, 1 @ \$1.3000, 1 @ \$1.2900, 5 @ \$1.2975,
 1 @ \$1.3000, 1 @ \$1.2900, 1 @ \$1.3000, 1 @ \$1.2900, 1 @ \$1.2975,
 1 @ \$1.3000, 1 @ \$1.2900, 1 @ \$1.2850, 1 @ \$1.2950, 1 @ \$1.2900,
 1 @ \$1.2875, 1 @ \$1.2950, 1 @ \$1.2975, 1 @ \$1.2900, 1 @ \$1.2950,
 1 @ \$1.2900, 1 @ \$1.3000, 1 @ \$1.2925, 2 @ \$1.3000, 1 @ \$1.3200,
 1 @ \$1.2950, 1 @ \$1.3050, 1 @ \$1.3000, 1 @ \$1.3250, 1 @ \$1.3400,
 1 @ \$1.3375, 1 @ \$1.3200, 1 @ \$1.3375, 1 @ \$1.3400 (LST)
 4 CARS 40# BLOCKS @ \$1.3900 (LST)

BIDS UNFILLED: 1 CAR BARRELS @ \$1.2000

OFFERS UNCOVERED: 3 CARS BARRELS @ \$1.3400

MILK PRODUCTION - TOP 20 STATES

BILLION POUNDS



NASS DATA, GRAPH BY DAIRY MARKET NEWS
 FEB 1996 CONTAINS 29 DAYS

PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are one cent higher following the trading at the August 8 trading at the Chicago Mercantile Exchange. The market tone is steady to firm. Many contacts speculate that prices may be at ready to stabilize and hold at or near current levels. Butter production is lighter as less surplus milk is available to butter/powder plants in the East. However, contacts report that bulk butter is readily available to meet current needs. Retail sales are slow to fair and best when featured. Food service orders are steady.

WHOLESALE PRICES: MIN 25 BOXES

DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.3200-1.5675
1 LB. PRINTS	:	1.2350-1.4175
CHIPS/PATTIES	:	1.2975-1.4675
REDDIES	:	1.3725-1.5675
CONTINENTALS	:	1.4525-1.6275

CENTRAL

Print butter prices adjusted 1 cent higher following cash trading activity at the Chicago Mercantile Exchange on August 8. Overall, stocks are reported to be in balance for current needs. Churning schedules are active, although seasonally declining as cream supplies become less available to local churns. Strong ice cream production and lower fat tests on incoming milk are two major factors limiting cream volumes. Butter demand is seasonally steady. Scattered retail feature activity is clearing good volumes of print butter while food service orders are good. Weather conditions in the Midwestern part of the country have been favorable, which is being attributed to strong "away from home" eating patterns. Although export activity has been light, a 67 MT DEIP bonus, averaging \$1,134.03, was awarded this week for butter destined for Asia and the Former Soviet Union.

FOB CENTRAL STATES PLANTS: MIN 20,000 POUNDS, \$ PER POUND

1/4 LB. PRINTS	:	1.2100-1.6175
1 LB. PRINTS	:	1.1750-1.3375
CHIPS/PATTIES	:	1.2000-1.4100
REDDIES	:	1.2850-1.5200
CONTINENTALS	:	1.4400-1.6300

WEST

Butter prices are steady to firm. Sales activity remains mostly steady at best. Cream interest is good as ice cream production remains active in many parts of the country. Some producers prefer to sell cream rather than churn. Cream continues to receive interest from buyers in other parts of the country. Current production is generally steady.

WHOLESALE SELLING PRICES: DELIVERED WESTERN CITIES
 150 - 1000 POUNDS, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.3825-1.4300
1 LB. PRINTS	:	1.3125-1.3725
PATTIES	:	1.3550-1.5200
REDDIES	:	1.4800-1.4975

FOB CALIFORNIA PLANTS - GRADE AA
 100 CASES AND UP, DOLLARS PER POUND

1/4 LB. PRINTS	:	1.0975-1.1375
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
 IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	: CHEESE
	:	
08/11/97	37,228	: 124,639
08/01/97	38,383	: 125,407
CHANGE	-1,155	: -768
% CHANGE	-3	: -1

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS		640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.	MN/WI	OTH STATES	U.S.
AUGUST 8	1,3031	1,2297	1,2537	1,2758	1,2224	1,1891	1,1992
	1,387,882	3,206,838	4,682,322	1,066,175	3,040,936	6,934,623	9,975,559

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Prices are sharply higher and the market tone is unsettled. Trading at the Chicago Mercantile Exchange on August 7 saw 40# blocks close 10 1/4 cents higher and barrels increased 6 cents. Cheese production in the Northeast is easing lower as surplus milk volumes dry up seasonally. Plants have often cut back an extra day or two per week because of the tighter milk supply. Cheese stocks are readily available for most needs with current styles often in the tightest position. Retail sales are seldom better than fair and food service orders are holding up very well. Some suppliers are gearing up for the reopening of colleges and the associated improvement in demand for mozzarella (pizza) cheese.

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

Cheddar 10# Prints	:	1.2400-1.8725
Cheddar Single Daisies	:	1.2100-1.8775
Cheddar 40# Block	:	1.5275-1.6775
Process 5# Loaf	:	1.4225-1.5575
Process 5# Sliced	:	1.4325-1.6650
Muenster	:	1.5700-1.8875
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is fully steady, though an unsettled undertone is developing in some quarters. At the Chicago Mercantile Exchange on August 7, 40# blocks jumped 10.25 cents to \$1.3900 and barrels increased 6 cents to \$1.2900. The block price has increased for 5 consecutive weeks, increasing a total of 22.25 cents during the period. Traders are becoming concerned that if prices continue to increase, consumer resistance to higher prices may again cause cheese prices and demand to fall dramatically like last year. Current orders vary by firm. For some with market price protection, orders being filled are very good. Others are seeing orders steady to slower as buyers that built inventories earlier are taking a wait and see approach. The product mix shift is occurring as schools prepare to reopen from heavy on process to more mozzarella and cooking type varieties. Milk production in the major production areas of the region have partially rebounded from recent heat stressed levels. Fat and protein levels remain at the low, summer levels. As schools reopen for the new year, some milk will be shifted from cheese production over to bottlers.

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

Process American 5# Loaf	:	1.4850-1.6025
Brick And/Or Muenster 5#	:	1.6100-1.8475
Cheddar 40# Block	:	1.6400-1.9150
Monterey Jack 10#	:	1.8100-1.9150
Blue 5#	:	1.9925-2.1600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6700-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.1000-2.4850

WEST

Natural and process prices moved sharply higher with Swiss unchanged. Many buyers were surprised by the 10.25 cent increase in the block prices at the Chicago Mercantile Exchange. Current orders are fair to good for Swiss, steady to occasionally slower for cheddar. With at least one cheese plant in the West down for scheduled maintenance/remodeling, current cheese offerings are tighter in the short term. The reduced production shifted milk into other products. For most other plants, milk intakes and cheese output is steady.

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

Process 5# Loaf	:	1.4600-1.7125
Cheddar 40# Block	:	1.5725-1.7300
Cheddar 10# Cuts	:	1.7500-1.9125
Monterey Jack 10#	:	1.7150-1.8750
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGN TYPE

Prices are sharply higher on domestic styles; unchanged on imported styles. Domestically produced styles are usually linked, pricewise, to the Chicago Mercantile Exchange price for 40# blocks which have jumped 22 1/4 cents since July 3. The market tone is seasonally weak, but with summer coming to a close, retail movement is expected to improve along normal patterns. Recent reports indicate that the EU Commission, less than two weeks into the new GATT year, has suspended the issuance of all cheese export licenses because subsidized exports were running, pro rata, ahead of the permitted annual ceiling.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7250-2.3350*
Gorgonzola	: 3.2400-5.9400	: 2.3900-2.4900*
Parmesan (Italy)	: TFEWR	: 3.1350-3.1725*
Romano (Italy)	: 2.1900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.3975-1.9050*
Romano (Cows Milk)	: -0-	: 2.9225-3.1750*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Milk production is steady to slightly heavier in some areas. In Florida and other Southeastern states, milder weather has caused milk output to rebound rather significantly. In fact, suppliers who were a little short of milk last week now have surplus loads looking for processing. The combination of increased production and slow sales are cited as the main reasons for this turn around. In the Middle Atlantic and New England areas, mild temperatures are keeping the milk flow above expected levels. Despite the mild temperatures, drought conditions exist in much of New York and New England which are having more of an impact on pasture and alfalfa growth. Bottled milk demand is reported in a wide range from "dismal" to improved where school lunch programs are again taking milk. Some schools in the Southeast are back in session with others scheduled to reopen this week and next. Florida handlers reported carrying larger than desired volumes over the weekend and canceled some incoming loads early in the week. However, late in the week, they had to reorder some of the canceled loads. This week they estimate that they will import 137 loads and expect volumes to grow as the majority of schools, in Florida, start next week. Also, the number of loads being shipped into the Carolinas is, in some cases, half of what they have been. In the Northeast, contacts report that surplus milk volumes are a little lighter, but just the opposite for plants that had been shipping milk to the Southeast. These plants now have extra milk to process. The condensed skim market is unchanged and prices are steady. Demand is fair to good. The fluid cream market is mixed. Some suppliers report tight supplies while others, with more surplus milk, may have more cream for sale. Demand is fair now that spot prices are relatively high. Some ice cream makers are slowing down, but most are maintaining summer production schedules. Hard and soft serve ice cream sales are seasonally fair to good. Churning activity is moderate and some butter makers are looking, but not very aggressively, for cream.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT			
F.O.B. Producing Plants: Northeast	-	1.4790 - 1.5912	
Delivered Equivalent Atlanta	-	1.4484 - 1.5708	M 1.4950-1.5390
F.O.B. Producing Plants: Upper Midwest	-	1.4586 - 1.5708	

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS			
F.O.B. Producing Plants: Northeast	-	0.9500 - 1.0500	

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
AUGUST 8 - 14, 1997	0
PREVIOUS WEEK (REVISED)	21
COMPARABLE WEEK IN 1996	56

Last week's reported Wisconsin shipment total was adjusted to include shipments missed during the previous week, split between Tennessee and Kentucky. About 14 loads of Wisconsin milk are "direct shipped" and pooled under a Southern Federal Order and not included in the milk shipment total. Michigan milk shipments this week to various Southeastern states was up about 30 loads to help fill deficit areas. Reports indicate that a few other out of area fluid commitments

are expected to start soon, while other proposals are still pending. Milk demand has improved as supplies declined and class prices have yet to really "catch up". Current spot milk supplies are tight. Spot manufacturing milk premiums for local buyers are steady to firm as premiums are mostly in \$2.00 to \$2.50 over class category, even for weekend milk. Cream interest remains seasonally strong. Ice cream production and sales remain seasonally good. Some cream imports from the West continue to supplement local offerings. Reported cream prices are mostly steady to occasionally higher. Unseasonably cool temperatures (including some record low daily high temperatures) occurred through parts of the upper Midwest. The cooler weather helped milk receipts to partially rebound from recent heat stressed levels. Other plants have seen little recovery. Fat and protein levels remain at summer low levels. In South Central states, continued heat is keeping milk receipts at low levels and manufacturing schedules are light.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUG 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 40.00	\$ 33.00- 38.00
REPLACEMENT HEIFER CALVES	\$ 95.00-140.00	\$100.00-145.00

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

	AUG 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 42.00	\$ 33.00- 39.00

W E S T

The July California 4a (butter/powder) price is \$11.89, down 14 cents from June and \$3.35 below last July. The 4b (cheese) milk price is \$10.37, up 47 cents from June, but \$3.28 below a year ago. Hot temperatures last week in Southern California impacted milk production but, by the week's end, milder weather returned. This week milk output has begun to rebound. Arizona and New Mexico continue to see seasonal declines accentuated by hot weather. Milk production is reported to be above year ago levels and percentage changes are some of the highest in the country. The declines in milk production allowed some plants slight reprieves from their heavy schedules. Condensed skim orders are fair to good and pricing levels are steady. Cream demand is still good from ice cream accounts. Ice cream production remains active and fill in orders remain good for both hard and soft serve ice cream. Fluid orders are steady to good. School orders have not begun in earnest, but are beginning to be scheduled by month's end. Unseasonably hot temperatures in some parts of the Northwest (up into the 90s in Portland) reduced milk receipts at some locations. Local conditions remain dry. Temperatures have since begun to moderate. Along the Coast, more seasonal temperatures were not affecting milk receipts as dramatically though some additional precipitation would be welcome. At least one plant in the region is down for maintenance/retooling, causing milk to be shifted to other outlets for a brief period. In the Mountain States, scattered showers continue to affect the hay crop in Idaho. Manufacturing schedules remain heavy as milk receipts are little changed from recent weeks. Hay demand is steady to slightly improved, mainly from export accounts. Hay prices are firmer.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 08/14/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Nonfat dry milk prices are mostly steady to higher on the top end of the range for high heat powder. The market tone continues to be weak. Offerings are available from most producers in the region at biddable prices. Resale loads are available, often at better prices. Demand is fair at best. Spot interest is limited to short term needs. CCC offerings are heavy as another Western producer began offering NDM under the price support program. NDM drying schedules vary from light to moderate, but are still active for this time of year. Some plants have ceased drying for the short term. Milk is moving to fill fluid needs and condensed skim prices and demand are better. NDM stocks are light to heavy.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0500 - 1.0950 MOSTLY: 1.0600 - 1.0700

DRY BUTTERMILK - CENTRAL

Buttermilk prices are unchanged and the market tone is more unsettled. Production schedules are light, depending on condensed sales and cream movement. Competition with NDM for dryer time continues. Sales remain light and demand is unaggressive. Since prices are so close, some end users are using NDM or condensed skim in formulations instead of buttermilk. Stocks are light, but available from several producers and resellers in the region.

BUTTERMILK: 1.0200 - 1.1050

DRY WHEY - CENTRAL

Whey prices are holding mostly steady this week. The market tone is less firm than in recent weeks. Production schedules are lighter as milk production drops seasonally. Additional milk may be expected to move to cheese plants following recent increases in cheese prices. Buying activity has declined this week as many buyers have current needs met and are not looking to cover into coming weeks. Producer offerings are increasing at some locations and more whey is available. Resale prices have moderated from last week. Stocks are available to fill current needs.

NONHYGROSCOPIC: .2175 - .2350 MOSTLY: .2225 - .2275

ANIMAL FEED WHEY - CENTRAL

Only minor price changes were noted for animal feed whey. The steady edible whey and WPC markets are carrying over to the "off-grade" markets. Offerings are generally light for milk replacer, standard, and roller ground. Delactose stocks are higher. Demand is fair, but a little more unsettled as buyers begin to look harder at their needs and alternatives.

MILK REPLACER: .1975 - .2200
STANDARD: TFEWR
ROLLER GROUND: .2275 - .2400
DELACTOSE (Min. 20% protein): .3350 - .3600

LACTOSE - CENTRAL AND WEST

Lactose prices are lower on the bottom end of the mostly range, reflecting lower spot sales activity. More producers are offering spot product and are having to discount to move and remain competitive. Producers with heavier stocks are open to bids. Additional loads of "off-grade" lactose are appearing and those prices are being aggressively discounted. Production is trending seasonally lower. Stocks range from light to heavy.

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

EDIBLE: .2000 - .2800 MOSTLY: .2100 - .2500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate prices and the market tone are steady. Plant level offerings are available from a few more producers this week and the limited premiums have been backed off. Demand is fair at best. Buyer interest has declined, especially from feed accounts. Resale loads remain available and priced competitively. Production is steady to lower. Stocks are light to moderate.

EXTRA GRADE 34% PROTEIN: .6000 - .6500 MOSTLY: .6250 - .6300

NONFAT DRY MILK - WEST

Prices are lower on the low/medium heat range but the mostly range is unchanged. High heat prices are steady. The market tone remains weak. Offerings to the CCC under the price support program continue. Last week, more than 2 million pounds of NDM were offered. This week, an additional Western producer began to offer NDM. Contact expectations are that offerings will continue for the near term. DEIP orders continue to be bid on and filled. Domestic demand is fair. Buyers are not aggressively making purchases. Resale loads are available and priced competitively to move, sometimes even at losses. There are some expectations that cheese makers will increase usage of NDM following recent increases in cheese prices. NDM stocks are in excess of current needs.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0325 - 1.0650 MOSTLY: 1.0375 - 1.0500
HIGH HEAT: 1.0600 - 1.0800

DRY BUTTERMILK - WEST

Prices are lower on the top end of the range, but the majority of transactions are unchanged. Pressure to lower prices and keep product moving is present. Buyer interest is generally light. Offerings are available from several producers in the region. Resale loads are also available and competitively priced. Stocks are available for current needs.

BUTTERMILK: 1.0000 - 1.0700 MOSTLY: 1.0000 - 1.0400

DRY WHEY - WEST

The whey market is mostly steady. Export interest has slowed, but domestic interest is unchanged at fair to good levels. The temporary closing of a plant for retooling is affecting current production. Producers are comfortable with current inventory positions and a few raised prices within the range. Some other producers are fully committed for various periods.

NONHYGROSCOPIC: .2100 - .2400 MOSTLY: .2100 - .2200

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended August 08, on powder sales of 8,117,836 pounds f.o.b. California manufacturing plants was \$1.0514 per pound. This compares to 15,533,657 pounds at \$1.0501 for the previous week ending August 01, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged and the market tone remains weak. Production levels are often lighter as milk supplies are a little lower than past weeks. In the more southern areas, manufacturing schedules are lighter now that more milk is moving to bottlers who are preparing for school lunch program needs. Powder stocks are fully adequate for spot needs. Demand is just fair. Buyers are often looking for the lower priced, multi-load sales and many are trying to get that same low price for one and two load purchases. In some cases, they are successful. Also, some buyers are not looking to make advance purchases at a time when they predict little upward movement in prices.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST:	1.0500 - 1.1400
DELVD SOUTHEAST:	1.0700 - 1.1200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally lower. The market tone remains fairly firm. Eastern producers report closely balanced stocks. Production ranges from light to moderate as less milk and cream are available to local butter/powder plants. Demand for both condensed and dry buttermilk is just fair.

F.O.B. NORTHEAST:	1.0550 - 1.0850
DELVD SOUTHEAST:	1.0725 - 1.1400

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Production is up slightly at plants that are filling domestic and/or DEIP contracts. Spot interest is still somewhat limited. Producers' stocks are fairly well balanced. New DEIP bid acceptances continue at a moderate, steady pace.

F.O.B. PRODUCING PLANT:	1.1800 - 1.2400
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH AUGUST 8, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-- 19,953 MT (43,988,383 LBS)
CHANGE	-- 4,431 MT (9,768,583 LBS)
WHOLE MILK POWDER	-- 632 MT (1,393,307 LBS)
CHANGE	-- 128 MT (282,189 LBS)
CHEESE	-- 255 MT (562,173 LBS)
CHANGE	-- 127 MT (279,984 LBS)
BUTTERFAT	-- 2,779 MT (6,126,583 LBS)

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally higher. The market tone, though firm, is starting to show signs of leveling off. Buyers are, more often, resisting higher premiums and production levels are up slightly in other regions. Locally, output is off slightly as milk supplies tighten seasonally. Most producers have little dry whey on hand for spot/immediate shipment. Demand continues to puzzle many contacts. It is most often termed as "just fair." Most shipments are for contracts and there is little spot interest at this time. Export interest is also slow to fair.

F.O.B. NORTHEAST:	EXTRA GRADE	.2250 - .2350
	USPH GRADE A	.2350 - .2500
DELVD SOUTHEAST:		.2400 - .2700

ANIMAL FEED WHEY - NORTHEAST

Prices are unchanged and remain nominal. The market tone is steady. Offerings of milk replacer and Extra Grade whey are tight. Spot demand from animal feed makers is seldom better than fair as most wait for lower prices.

F.O.B. NORTHEAST:	MILK REPLACER	.2050 - .2150
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EVAPORATED MILK - NATIONAL

The market tone and prices are unchanged. Production levels, in some areas, are lighter now that more milk is starting to move to Class I channels (school lunch programs). However, with the July BFP only moving up 12 cents, producers are still actively making evaporated milk and building inventories ahead of fall/winter needs. Demand is unchanged at fair levels.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES	\$22.50 - 33.00
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Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein prices are unchanged. Demand is limited to current contract commitments. Stocks of both rennet and acid are readily available. Due to fully adequate volumes from restricted and unrestricted countries, prices are under pressure, but efforts are strong to maintain current price levels.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET:	2.2000 - 2.2800
ACID:	2.0000 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	07/31	08/01	08/04	08/05	08/06	08/07	08/08	08/11	08/12	08/13
CSCE CHEDDAR CHEESE -- Cents per pound										
AUG 97	127.50 (9) 0	126.30 (9) 0	128.80 (9) 0	128.80 (9) 0	131.00 (9) 0	133.00 (9) 1	131.00 (4) 5	131.00 (4) 0	134.00 (4) 0	136.30 (4) 0
OCT 97	133.00 (8) 0	133.00 (8) 0	133.00 (8) 0	133.00 (8) 0	133.00 (8) 0	135.00 (8) 0	133.00 (8) 0	133.00 (8) 0	133.30 (8) 0	133.00 (8) 0
FEB 98	123.10 (0) 0	123.10 (0) 0	123.10 (0) 0	123.10 (0) 0	123.10 (0) 0	125.10 (0) 0	123.10 (0) 0	122.10 (0) 0	119.90 (0) 0	120.40 (0) 0
CSCE - NONFAT DRY MILK -- Cents per pound										
AUG 97	105.50 (67) 0	106.00 (67) 0	106.00 (67) 0	106.00 (67) 0	105.50 (67) 0	104.20 (67) 20	104.90 (67) 0	105.10 (67) 0	104.60 (67) 0	104.60 (67) 0
OCT 97	107.00 (1) 0	107.50 (1) 0	107.50 (1) 0	107.50 (1) 0	107.50 (1) 0	106.20 (1) 0	106.90 (1) 0	106.00 (4) 4	105.50 (4) 0	106.50 (4) 0
CSCE - FLUID MILK -- Dollars per cwt.										
AUG 97	14.10 (23) 3	14.10 (20) 0	14.05 (20) 0	13.93 (18) 2	13.95 (19) 0	13.83 (14) 5	14.00 (14) 1	14.05 (13) 0	14.00 (13) 0	14.15 (13) 0
OCT 97	14.67 (12) 0	14.67 (12) 0	14.62 (12) 0	14.50 (12) 0	14.52 (12) 0	14.75 (12) 0	14.92 (12) 0	14.60 (12) 0	14.55 (12) 0	14.25 (12) 0
FEB 98	13.85 (0) 0	13.85 (0) 0	13.80 (0) 0	13.68 (0) 0	13.70 (0) 0	13.85 (0) 0	13.85 (0) 0	13.53 (0) 0	13.48 (0) 0	13.45 (0) 0
CSCE - BUTTER - Cents per lb.										
AUG 97	105.80 (150) 0	106.20 (150) 0	106.00 (130) 4	106.80 (150) 0	105.50 (150) 0	104.20 (137) 4	104.20 (137) 0	106.00 (137) 0	105.90 (137) 0	105.90 (137) 0
OCT 97	106.30 (14) 0	106.70 (14) 0	107.00 (14) 0	107.80 (14) 0	108.10 (14) 0	106.80 (14) 0	106.80 (14) 0	106.80 (14) 0	106.70 (14) 0	106.80 (14) 0
DEC 97	83.80 (8) 0	84.20 (8) 0	84.50 (8) 0	85.30 (8) 0	85.60 (8) 0	84.30 (8) 0	84.30 (8) 0	84.30 (16) 8	84.20 (16) 0	84.30 (16) 0
CSCE - BFP -- Dollars per cwt.										
AUG 97	12.09 (490) 1	11.98 (491) 2	11.89 (492) 1	11.83 (496) 17	11.93 (489) 20	12.00 (474) 37	12.15 (455) 35	12.11 (464) 39	12.14 (458) 1	12.12 (455) 1
OCT 97	12.63 (377) 7	12.65 (377) 0	12.59 (377) 0	12.60 (377) 8	12.58 (377) 5	12.60 (375) 8	12.68 (375) 2	12.63 (376) 8	12.65 (383) 10	12.65 (383) 0
FEB 98	11.98 (50) 0	12.00 (50) 0	11.98 (50) 0	11.95 (50) 0	11.90 (50) 0	11.90 (50) 0	11.90 (50) 12	11.90 (54) 15	11.88 (54) 0	11.85 (54) 0
CME - BUTTER -- Cents per pound										
SEP 97	110.50 (167) 0	110.00 (167) 0	110.00 (174) 21	110.00 (173) 2	110.00 (173) 0	109.75 (173) 0	110.00 (173) 0	110.50 (173) 3	110.50 (160) 25	110.50 (160) 1
NOV 97	95.25 (23) 0	95.00 (22) 1	95.10 (23) 1	95.10 (22) 1	95.10 (22) 0	95.00 (22) 0	95.00 (29) 15	95.50 (29) 0	95.50 (30) 1	95.50 (30) 0

1/ Open interest for NDM and cheddar -- 4 contracts equal 40,000 pounds. Open interest for fluid milk (at both exchanges) -- 1 contract equals 50,000 pounds. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 4 - 15, 1997

Prices are U.S. Dollars per 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.

WESTERNANDEASTERNEUROPE

OVERVIEW - WESTERN EUROPE: Trading activity out of Europe is much the same as in past weeks, slow and unaggressive. Within the past week, the EC approved a cut in export refunds for all dairy products. The across the board adjustment of 5% resulted in dairy product prices to increase about \$35 per MT for SMP, \$60 for whole milk powder, \$60 for cheese, and \$100 for butter. These adjustments, along with a continued fluctuating U.S. dollar, is causing European traders much anxiety. The European milk production cycle is on the downward side. Favorable temperatures and manageable rainfall is allowing milk production to decline at a slower/gradual rate, with milk volumes reported to be heavier than last year at this time. Although, recent hot temperatures many accelerate the output decline. Trading continues at normal levels within Europe, but other buyer interest is slow. Stocks of manufactured dairy products are sufficient for current buyer interest with most traders comfortable with holding production for future sales.

BUTTER/BUTTEROIL: Butter and butteroil markets are firm as prices and stocks continue to increase. Limited trading activity at this time is allowing producers and handlers to continue to build inventories. Most handlers are comfortable with not having to pass-up too many buyer inquiries at this time and are content to hold stocks for future needs. Many European traders feel that potential butter needs during the upcoming winter season will be at levels of last year and, in instances, might surpass last year's levels.

82% BUTTERFAT:	1,800 - 1,875
99% BUTTERFAT:	1,875 - 2,000

SKIM MILK POWDER (SMP): Skim milk powder markets are steady to firm with prices steady to higher. The recent export refund adjustment and continued trading activity out of the United States is reportedly causing European traders to adjust prices. Production trends for powder are seasonally active as milk volumes clear to butter/powder operations. Stocks of powder continue to build with buyer interest light. Most traders are being patient with current light buyer interest in anticipation of improved sales in a few months.

1.25% BUTTERFAT:	1,560 - 1,700
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WHOLE MILK POWDER (WMP): Whole milk powder markets are unchanged, although prices are steady to generally higher. Overall buying interest is limited to domestic markets with international trade limited. Stocks of powder are reported to be fully sufficient for current needs.

26% BUTTERFAT:	1,660 - 1,850
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SWEET WHEY POWDER: Whey markets are generally steady, although prices are slightly higher. Cheese production continues to be influenced by the strong pull of milk into butter/powder operations. Whey stocks are in balance for needs, although not as heavy as many handlers anticipated. Overall buying interest remains light.

NONHYGROSCOPIC:	450 - 550
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OVERVIEW - EASTERN EUROPE: Eastern Europe continues to respond to the recent flooding. Diminishing rainfall in northern Europe allowed flood waters to recede, while another week of heavy rains in Romania likely caused widespread flooding. The overall impact on the production end of the dairy industry was not severe. More problems occurred with the distribution/demand end of the market. Early indications are that seasonal milk production has not been very favorable in the Ukraine and the Former Soviet Union. Because of this report, many traders in Eastern and Western Europe anticipate increased buyer interest for manufactured dairy products during the next few months.

OCEANIA

OVERVIEW: Milk production patterns are starting to develop seasonally in the Oceania region. Although overall production increases are about 4 - 6 weeks away, calving is starting in some areas of Australia. In Australia, some much needed rainfall is occurring. Producers and handlers are concerned about the low moisture levels. Most anticipate that the spring flush will follow trends of past years, but if moisture remains limited, the peak level may occur earlier and be short lived. In New Zealand, conditions are better than their neighbor. Milk output is at seasonal low levels with very little indication of seasonal increases. Cow and grass conditions are quite favorable. Overall trading activity out of Oceania is limited to previous commitments. Orders are being filled with production from last season. Although stocks are generally sufficient for contractual needs, stocks are becoming less available. Oceania traders continue to closely monitor U.S. DEIP trading activity along with Europe's recent export subsidy reduction and what impact they are having and will have on sales activity out of this region of the world.

BUTTER: Oceania butter prices are firm as supplies tighten. Previously placed orders continue to be filled with stocks from last production season. In most instances, butter supplies are sufficient for this need, with additional stocks for new buyer interest less available. Most trading activity centers around previously placed contracts. New buyer interest is light. Most butter handlers are attributing the light buyer interest to the knowledge of potential buyers of the limited volumes of available butter from this part of the world. As the new production season nears, producers feel confident that demand will increase and Oceania will be a major source for potential sales.

82% BUTTERFAT:	1,450 - 1,550
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CHEDDAR CHEESE: Cheese markets are generally steady at unchanged prices. Current trading activity continues to center around previously arranged contracts. Stocks of cheese are in balance for most needs, although inventories are edging lower. Within the next 4 - 6 weeks, milk production within the Oceania region will once again increase seasonally. Although cheese output remains seasonally low, milk volumes are building slightly in Australia and clearing through cheese operations versus butter/powder plants.

39% MAXIMUM MOISTURE:	2,050 - 2,100
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SKIM MILK POWDER (SMP): Skim powder markets are steady to weak in Oceania. Trading activity that is occurring is from stocks of the past production season. Most sales have been previously agreed upon and new buyer opportunities are light. Oceania traders continue to monitor the DEIP activity that U.S. traders are receiving. Oceania handlers are feeling pricing pressures due to the favorable bonuses that are being awarded which are displacing potential sales opportunities from the Oceania region.

1.25% BUTTERFAT:	1,600 - 1,700
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WHOLE MILK POWDER (WMP): Whole milk powder markets are basically steady at unchanged prices. Overall trading activity involves previously made contracts. Stocks of whole milk powder are sufficient for current needs with additional volumes available for potential buyers. Whole milk powder handlers are generally comfortable with the current supply/demand situation and are looking forward to the upcoming production season which will begin in the next 4 - 6 weeks.

26% BUTTERFAT:	1,650 - 1,700
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Exchange rates for selected foreign currencies: July 28, 1997

.4763 Dutch Guilder	.5363 German Mark
.1592 French Franc	.6423 New Zealand Dollar
.1282 Mexican Peso	.7378 Australian Dollar
1.5900 British Pound	.0086 Japanese Yen
.2885 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1282) = 7.8003$. That is 1 US Dollar equals 7.8003 Mexican Pesos.

Source: "Wall Street Journal"

MINIMUM FEDERAL ORDER AND ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES 1/												
CITY	AUG 1995			AUG 1996			JUL 1997			AUG 1997		
	Federal Order	Coop.	Difference									
Dollars Per Hundredweight												
Atlanta, GA	14.50	14.50	0.00	17.00	18.70	1.70	13.78	14.63	0.85	13.82	14.87	1.05
Baltimore, MD	14.45	15.40	0.95	16.95	17.70	0.75	13.73	14.78	1.05	13.77	14.82	1.05
Boston, MA	14.66	15.39	0.73	17.16	17.89	0.73	13.94*	15.07	1.13	13.98*	14.91	0.93
Carbondale, IL	13.43	14.39	0.96	15.93	17.18	1.25	12.71	14.80	2.09	12.75	14.80	2.05
Charlotte, NC	14.50	14.80	0.30	17.00	19.15	2.15	13.78	14.63	0.85	13.82	14.87	1.05
Chicago, IL	12.82	14.18	1.36	15.32	16.97	1.65	12.10	14.30	2.20	12.14	14.30	2.16
Cincinnati, OH	13.53	14.08	0.55	16.03	17.08	1.05	12.81	14.36	1.55	12.85	14.75	1.90
Cleveland, OH	13.42	13.89	0.47	15.92	16.82	0.90	12.70	14.20	1.50	12.74	14.64	1.90
Dallas, TX	14.58	14.75	0.17	17.08	17.73	0.65	13.86	14.11	0.25	13.90	14.15	0.25
Denver, CO	14.15	14.86	0.71	16.65	16.80	0.15	13.43	13.58	0.15	13.47	13.62	0.15
Des Moines, IA	12.97	13.57	0.60	15.47	16.79	1.32	12.25	13.74	1.49	12.29	13.94	1.65
Detroit, MI	13.27	14.03	0.76	15.77	16.58	0.81	12.55	14.19	1.64	12.59	14.10	1.51
Hartford, CT	14.56	15.29	0.73	17.06	17.79	0.73	13.84*	14.97	1.13	13.88*	14.81	0.93
Houston, TX	15.12	15.29	0.17	17.62	18.27	0.65	14.40	14.65	0.25	14.44	14.69	0.25
Indianapolis, IN	13.32	14.20	0.88	15.82	16.99	1.17	12.60	14.44	1.84	12.64	14.48	1.84
Kansas City, MO	13.34	13.74	0.40	15.84	16.94	1.10	12.62	14.06	1.44	12.66	14.26	1.60
Little Rock, AR	14.19	14.36	0.17	16.69	17.20	0.51	13.47	13.72	0.25	13.51	13.76	0.25
Louisville, KY	13.53	13.93	0.40	16.03	17.08	1.05	12.81	13.76	0.95	12.85	13.80	0.95
Miami, FL	15.60	17.28	1.68	18.10	21.11	3.01	14.88	17.68	2.80	14.92	17.68	2.76
Milwaukee, WI	12.73	14.09	1.36	15.23	16.88	1.65	12.01	14.21	2.20	12.05	14.21	2.16
Minneapolis, MN	12.62	13.22	0.60	15.12	16.37	1.25	11.90	13.36	1.46	11.94	13.56	1.62
New Orleans, LA	15.07	15.07	0.00	17.57	18.07	0.50	14.35	14.60	0.25	14.39	14.64	0.25
Oklahoma City, OK	14.19	14.36	0.17	16.69	17.34	0.65	13.47	13.97	0.50	13.51	13.76	0.25
Omaha, NE	13.17	13.77	0.60	15.67	16.77	1.10	12.45	13.89	1.44	12.49	14.09	1.60
Philadelphia, PA	14.51	15.41	0.90	17.01	17.71	0.70	13.79	14.81	1.02	13.83	14.85	1.02
Phoenix, AZ	13.94	13.94	0.00	16.44	16.44	0.00	13.22	13.22	0.00	13.26	13.26	0.00
Pittsburgh, PA	13.42	14.12	0.70	15.92	16.42	0.50	12.70	13.50	0.80	12.74	13.54	0.80
St. Louis, MO	13.43	14.39	0.96	15.93	17.18	1.25	12.71	14.80	2.09	12.75	14.80	2.05
Salt Lake City, UT	13.32	13.47	0.15	15.82	15.97	0.15	12.60	12.75	0.15	12.64	12.79	0.15
Seattle, WA	13.32	13.77	0.45	15.82	16.12	0.30	12.60	12.98	0.38	12.64	13.02	0.38
Spokane, WA	13.32	13.77	0.45	15.82	16.12	0.30	12.60	12.98	0.38	12.64	13.02	0.38
Springfield, MO	13.61	14.01	0.40	16.11	16.76	0.65	12.89	13.79	0.90	12.93	13.78	0.85
Washington, DC	14.45	15.40	0.95	16.95	17.70	0.75	13.73	14.78	1.05	13.77	14.82	1.05
Simple Average	13.85	14.45	0.60	16.35	17.29	0.94	13.13	14.22	1.09	13.17	14.28	1.11

*NOTE: The Northeast Dairy Compact has established a Class I price level of \$16.94 for the period July-December 1997. The Compact obligation is \$16.94 less the Federal order Class I price shown for Boston. The effective Class I price level is the Federal order price at location plus the Compact obligation plus the figure shown under the column labeled "Difference".

1/ Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers.

ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK*

Milk production during the spring quarter was a little larger than expected. Both output per cow and the number of cows slightly exceeded expectations. From this stronger production base, the milk production forecasts for the remainder of 1996/97 and for 1997/98 are boosted slightly. Stocks of dairy products, particularly nonfat dry milk, have risen to higher levels than expected. Weak spring movement of cheese was the most important contributor to the stock buildup. Sluggish sales increased cheese inventories directly and also eliminated the need for normal growth in cheese production. More milk went into the manufacture of butter and nonfat dry milk and use of powder in cheese production plummeted, generating soaring stocks of nonfat dry milk. The sharp increase in cheese prices during the last month suggests that a recovery in cheese sales may be occurring. The stronger cheese prices are expected to result in higher milk prices than forecast last month, and the milk price forecasts for both 1996/97 and 1997/98 are boosted slightly. Editor's Note: The report from which this information was extracted was issued prior to the cheese trading activity that occurred on the Chicago Mercantile Exchange on August 7.

U.S. MILK SUPPLY AND USE

Item	1995/96 1/	1996/97 Estimate 1/		1997/98 Projection 1/	
		July	August	July	August
BILLION POUNDS					
SUPPLY					
BEGINNING COMMERCIAL STOCKS 2/ 23/	4.6	4.9	4.9	5.4	5.9
PRODUCTION	154.1	155.4	155.8	156.1	156.4
FARM USE	1.5	1.4	1.4	1.3	1.3
MARKETINGS	152.6	154.0	154.3	154.8	155.1
IMPORTS 2/	2.8	3.1	3.0	3.3	3.3
TOTAL COMMERCIAL SUPPLY 2/	160.0	162.1	162.3	163.4	164.2
USE					
COMMERCIAL USE 2/	154.9	156.0	155.6	157.3	157.4
ENDING COMMERCIAL STOCKS 2/	4.9	5.4	5.9	5.4	5.7
CCC NET REMOVALS:					
MILKFAT BASIS 3/	0.1	0.7	0.8	0.7	1.1
SKIM SOLIDS BASIS 3/	1.1	2.4	2.7	1.8	2.4
DOLLARS PER CWT.					
PRICES RECEIVED BY FARMERS 4/					
BASIC FORMULA (BFP)	13.50	11.60-11.70	11.80-11.90	11.60-12.50	11.65-12.55
ALL MILK 5/	14.49	13.45-13.55	13.50-13.60	12.75-13.65	12.85-13.75
MILLION POUNDS					
CCC PRODUCT NET REMOVALS 3/					
BUTTER	1	25	25	23	40
CHEESE	5	12	12	7	7
NONFAT DRY MILK	84	190	215	140	190
	QUARTERLY 6/			ANNUAL 6/	
	1997 III	1997 IV	1998 I	1997	1998
BILLION POUNDS					
MILK PRODUCTION	38.4	38.1	39.1	156.0	156.6
DOLLARS PER CWT.					
ALL MILK PRICE 4/ 5/	12.35-12.65	13.70-14.30	13.15-14.05	13.15-13.35	12.85-13.85
BASIC FORMULA PRICE 4/	11.60-11.90	12.40-13.00	11.65-12.55	11.80-12.00	11.70-12.70

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes products exported under Dairy Export Incentive Program. 4/ Projections indicate a range of the average for the quarter or year. 5/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 6/ Calendar year basis projection.

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; John Mengel, FSA; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-328, World Agricultural Outlook Board, USDA, August 12, 1997.

**MAILBOX MILK PRICES FOR SELECTED FEDERAL MILK ORDERS,
MAY 1997, WITH COMPARISONS***

In May 1997, mailbox milk prices reported for selected Federal milk orders averaged \$12.40 per cwt., \$.46 less than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$12.53, down \$.36; Southeast, \$14.14, down \$.07; Midwest, \$12.24, down \$.55; and West, \$11.71, down \$.52. Compared to May 1996, mailbox milk prices decreased \$1.32 per cwt. on the average. Regional changes from the previous year were: -\$1.05 in the Northeast, -.57 in the Southeast, -\$1.72 in the Midwest, and -\$1.43 in the West. The average minimum blend price in May 1997 was \$1.50 below the price in the previous year.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	May 1996	April 1997	May 1997
	<u>Dollars per hundredweight</u>		
New England	13.49	12.99	12.74
New York-New Jersey	13.70	12.78**	12.38
Middle Atlantic	13.41	13.02	12.64
Northeast Average <u>3/</u>	13.58	12.89**	12.53
Carolina	14.82	14.47	14.39
Tennessee Valley	14.16	13.98	13.92
Southeast	14.20	13.45	13.38
Florida <u>4/</u>	15.80	15.47	15.41
Southeast Average <u>3/</u>	14.71	14.21	14.14
Southern Michigan	13.51	13.04	12.72
Eastern Ohio-Western Pa.	13.75	13.11	12.72
Ohio Valley	13.67	13.35	12.84
Indiana	13.50	13.45	13.23
Chicago Regional	14.61	12.71	12.04
S. Illinois-E. Missouri	13.42	12.85	12.64
Louis.-Lex.-Evans.	13.71	13.38	13.49
Upper Midwest	14.37	12.39	11.74
Nebraska-Western Iowa	13.75	12.63	11.89
Iowa	14.12	12.68	12.14
Midwest Average <u>3/</u>	13.96	12.79	12.24
Texas	13.45	12.69	12.28
Southwest Plains	13.04	12.26	11.89
Eastern Colorado	13.62	12.20	11.69
S.W. Idaho-E. Oregon	13.27	11.50	10.58
Great Basin	13.05	11.51	10.89
New Mexico-West Texas	12.59	11.94	11.54
Pacific Northwest	12.79	12.36	11.81
West Average <u>3/</u>	13.14	12.23	11.71
All-Market Average <u>3/</u>	13.72	12.86	12.40

* For a description of this data series, see "Dairy Market News" Vol.62 Rpt. 23.

** Revised.

1/ Federal milk orders for which information could be released. 2/ Net pay price received by dairy farmers marketing milk to handlers regulated under the Federal milk orders. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is reported at the market average butterfat test. Also, for some orders, price is a weighted average for all pricing zones in the order. 3/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 4/ Weighted average of the information for the Upper Florida, Tampa Bay, and Southeastern Florida orders.

JULY MILK PRODUCTION

Milk production in the 20 major States during July totaled 11.5 billion pounds, 4.8 percent above production in these same States in July 1996. June revised production, at 11.4 billion pounds was 4.4 percent above June 1996.

Production per cow in the 20 major States averaged 1,480 pounds for July, 80 pounds above July 1996.

The number of cows on farms in the 20 major States was 7.75 million head, down 68,000 head from July 1996 but up 9,000 from June 1997.

JULY 1997 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	1996	1997	1996	1997	1996	1997	% CHANGE FROM 1996
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	122	129	1,445	1,635	176	211	19.9
CA	1,264	1,296	1,725	1,820	2,180	2,359	8.2
FL	156	161	1,145	1,190	179	192	7.3
ID	258	271	1,650	1,710	426	463	8.7
IL	154	147	1,240	1,320	191	194	1.6
IN	140	140	1,270	1,325	178	186	4.5
IA	250	246	1,290	1,390	323	342	5.9
KY	151	146	955	1,025	144	150	4.2
MI	323	310	1,405	1,500	454	465	2.4
MN	600	585	1,315	1,360	789	796	0.9
MO	177	173	1,085	1,155	192	200	4.2
NM	196	201	1,605	1,710	315	344	9.2
NY	703	698	1,385	1,440	974	1,005	3.2
OH	285	281	1,245	1,335	355	375	5.6
PA	643	639	1,375	1,410	884	901	1.9
TX	399	389	1,140	1,190	455	463	1.8
VT	157	157	1,400	1,420	220	223	1.4
VA	126	121	1,125	1,230	142	149	4.9
WA	263	265	1,735	1,770	456	469	2.9
WI	1,448	1,392	1,320	1,420	1,911	1,977	3.5
20 STATE TOTAL	7,815	7,747	1,400	1,480	10,944	11,464	4.8

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

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (8-97), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF AUGUST 11 - 15, 1997				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED		SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES		10/01/96	LAST YEAR	08/08/97	LAST YEAR
BUTTER								
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE								
Block	-0-	-0-	-0-	-0-	330,284	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	392,874	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-
NONFAT DRY MILK								
Nonfortified	3,978,954	-0-	3,978,954	12,386,868	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	3,978,954	-0-	3,978,954	12,386,868	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS	COMPARABLE WEEK IN 1996 =	MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF AUGUST 11 - 15, 1997 =	0.9	46.3		0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 1996 =	20.3	163.1	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JANUARY 1 - AUGUST 15, 1997 =	20.3	163.1	COMPARABLE CALENDAR YEAR 1996 =	0.0	0.0

* Factors used for Milkfat 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 SINCE 10/1/96 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
MIDWEST	-0-	-0-	1,514,684	-0-	-0-	-0-	68.8	0.0
WEST	-0-	-0-	392,874	-0-	12,386,868	-0-	31.2	0.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
TOTAL	-0-	-0-	1,907,558	-0-	12,386,868	-0-	100.0	0.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1997

MANUFACTURING MILK: Average Test 3.67% - \$10.20 per cwt.; 3.5% - \$10.10

DOLLARS PER POUND

BUTTER: Bulk \$.6500; 1# Prints \$.6800

CHEESE: 40 & 60# Blocks \$1.1300; 500# Barrels \$1.1000; Process American 5# \$1.1825; Process American 2# \$1.2225

NONFAT DRY MILK: Nonfortified \$1.0470; Fortified \$1.0570; Instant \$1.2045

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 07/26/97 & Comparable Week 1996

Regions*	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3**	4**	5	6	7	8	9	10	WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
1997-Dairy cows HD (000)	0.4	1.5	---	11.6	19.9	2.5	3.1	1.0	8.4	2.9	51.2	1,650.7	45.5	45.9
1996-Dairy cows HD (000)	0.4	1.4	---	11.6	20.6	1.7	5.3	2.9	7.5	2.4	53.8	1,688.6	42.9	43.5
1997-All cows HD (000)	0.4	1.5	---	24.7	27.2	16.0	17.8	7.2	11.1	6.7	112.5	3,597.0		
1996-All cows HD (000)	0.4	1.5	---	25.7	27.3	24.0	20.9	8.3	10.8	6.5	125.5	3,886.1	**REGION 3 & 4 COMBINED**	

*For source, states included in each region, and historical data, see "Dairy Market News", Vol. 55, Report No. 31

CCC MARKET PRICE INVITATIONS POUNDS

CHEESE	OCTOBER DELIVERY
PROCESS CHEESE	1,227,600
MOZZARELLA	1,451,520
NATURAL AMERICAN	239,950

OFFERS ARE DUE AUGUST 25. PUBLIC RELEASE WILL BE AT 4:00 P.M. (CST) AUGUST 28.

NONFAT DRY MILK	AMOUNT
INSTANT NONFAT DRY MILK	567,168
NONFAT DRY MILK	429,899

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/96 = 87,720,255 CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/96 = 11,567,670

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86					