

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter increased 12 1/2 cents to \$1.2700, Grade A increased 13 cents to \$1.2000, and Grade B increased 13 cents to \$1.2000. Also at the CME, barrel cheese is unchanged at \$1.3250 and 40# blocks are unchanged at \$1.3925.

According to ERS, in the Dairy Situation and Outlook, milk production during the last quarter of 1997 is expected to be only fractionally higher than the recovering levels of a year earlier. Forage supplies will be of mediocre quality and high priced, even though the silage crop looks promising in most areas. Milk-feed price ratios will be at levels normally associated with conservative concentrate feeding and below-trend growth in milk per cow. Although there probably will be a few more expanding herds, the combined effects of forage quality and prices and of recently lower returns is projected to keep declines in milk cow numbers near 1%. Dairy demand is expected to be modestly good during the rest of 1997, as the economy continues to grow. However, commercial use is not expected to be brisk enough to absorb the increase in milk output, pull stocks down, and generate much further price strength. Although DEIP sales certainly will buttress prices during autumn, the international market is not expected to generate a flurry of additional sales for autumn shipment.

As released by ERS and AMS, commercial disappearance of dairy products during May - July totals 39.6 million pounds, 0.2% more than the 3 month period in 1996. Comparing disappearance levels with a year ago: nonfat dry milk is 15.3% lower, butter is 8.2% lighter, fluid milk products are slightly higher, American cheese is 0.2% more, and other cheese is 2.5% greater.

According to NASS, U.S. cold storage holdings of butter on August 31, 1997 total 53.6 million pounds, 14.6% less than last month, but 96.3% more than last August. Natural American cheese holdings total 459.6 million pounds,

2.0% less than July, but 20.6% heavier than August 1996. Nonfat dry milk holdings at the end of July total 162 million pounds, 6.4% less than the previous month, but more than twice July 1996.

Nonfat dry milk powder markets are steady to weaker as stocks remain heavy in most regions. Western NDM offerings to the government have slowed and, in fact during the week, cancellations of previously offered powder surpassed weekly offerings. Buttermilk powder markets are also on the weak side. Churning schedules vary depending on cream availability within the region and overall butter needs, thus buttermilk supplies vary from one area to another. Overall buttermilk demand is light and unaggressive. Whey markets are firm with prices unchanged to sharply higher. Demand for whey is very aggressive, often going unfilled or delayed. Some producers have cut back on their contract commitments and buyers are scrambling to find replacements.

Milk production in most areas of the country is lower than the previous week. In instances, warmer than usual temperatures are spurring the decline. In the Pacific Northwest, some plants are struggling to meet commitments because the milk is just not there. Cream markets are firm with prices and pricing multiples higher.

During the week of September 22 - 26, CCC net dairy product purchases under the price support program were a negative 32,965 pounds of Western nonfortified NDM.

****SPECIAL THIS ISSUE****

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BUTTER MARKETS

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	SEPTEMBER 23	SEPTEMBER 25	SEPTEMBER 26
AA	\$1.1450 - 1.1550 (.0675) (.0675)	\$1.1450 - 1.1550	\$1.1450 - 1.1550
A	\$1.0700 - 1.0800 (.0700) (.0700)	\$1.0700 - 1.0800	\$1.0700 - 1.0800

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, in active trading, Grade AA increased 12 1/2 cents to \$1.2750, Grade A increased 13 cents to \$1.2000, and Grade B increased 13 cents to \$1.2000. Bulk and print butter markets remain firm across the country. Butter inventories are reported to be lighter than many producers/handlers desire for this time of the fall. Many Western producers have committed to producing 82% unsalted for export, which is limiting fresh 80% salted butter output for domestic needs. Overall buying interest ranges from fair to good.

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	SEPTEMBER 22 - 26, 1997
BARRELS*	\$1.3250 - 1.3450 (NOMINAL) (\$.0050) (.0050)
40# BLOCKS	\$1.4025 - 1.4275 (NOMINAL)

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

CHEESE HIGHLIGHTS: The cheese market is about steady. At the Chicago Mercantile Exchange in light to moderate trading, blocks were unchanged at \$1.3925 and barrels were unchanged at \$1.3250. Currently, stocks of cheese range from tight to balanced on natural styles; fully adequate on process items. Demand for process is occasionally improved as fast food features are in effect and helping sales. Manufacturing milk volumes remain tight for this time of year and cheese output is slowing at some plants.

CHICAGO MERCANTILE EXCHANGE

BUTTER TRANSACTIONS ON FRIDAY, SEPTEMBER 26, 1997

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

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	+1250	\$1.2700 : SALE 09/26/97
A	+1300	\$1.2000 : BID 09/26/97
B	+1300	\$1.2000 : BID 09/26/97

SALES: 18 CARS GRADE AA: 1 @ \$1.2100, 1 @ \$1.2200, 1 @ \$1.2250, 2 @ \$1.2400, 10 @ \$1.2500, 1 @ \$1.2600, 2 @ \$1.2700 (LST)

BIDS UNFILLED: 16 CARS GRADE AA: 1 @ \$1.2500, 5 @ \$1.2400, 2 @ \$1.2100, 5 @ \$1.1650, 1 @ \$1.1500, 2 @ \$1.1450
 3 CARS GRADE A: 1 @ \$1.1000, 1 @ \$1.1700, 1 @ \$1.2000 (LST)
 1 CAR GRADE B @ \$1.2000 (LST)

OFFERS UNCOVERED: 18 CARS GRADE AA: 2 @ \$1.3400, 10 @ \$1.3000, 6 @ \$1.2900

CHEESE TRANSACTIONS ON THURSDAY, SEPTEMBER 25, 1997

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

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	N.C.	\$1.3250 : OFFER 09/25/97
40# BLOCKS	N.C.	\$1.3925 : SALE 09/25/97

SALES: 3 CARS BARRELS: 1 @ \$1.3250, 1 @ \$1.3300, 1 @ \$1.3325
 6 CARS 40# BLOCKS @ \$1.3925 (LST)

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 11 CARS BARRELS: 1 @ \$1.3600, 1 @ \$1.3500, 1 @ \$1.3450, 1 @ \$1.3425, 2 @ \$1.3400, 1 @ \$1.3375, 1 @ \$1.3550, 1 @ \$1.3325, 1 @ \$1.3300, 1 @ \$1.3250 (LST)

PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are 6 3/4 cents higher and the market tone is unsettled. Contacts wonder why prices are moving upward so quickly particularly when the August cold storage holdings of butter total 53.6 million pounds, nearly double last August's holdings. Some contacts do report a tightness on fresh butter, but domestic needs are easily met with storage butter. After a couple weeks of active cream sales, Eastern butter production is starting to increase. Demand is improving and local producers want a little more butter on hand to meet this demand. Export demand for butter is very active and sales through DEIP are increasing. Most of the export demand is for 82%, unsalted butter and is, most often, coming from Western producers. However, this is impacting the availability of fresh butter to Eastern buyers. Retail and food service demand is fair.

WHOLESALE PRICES: MIN 25 BOXES

DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.3550-1.6025
1 LB. PRINTS	:	1.2700-1.4525
CHIPS/PATTIES	:	1.3325-1.5125
REDDIES	:	1.4075-1.6025
CONTINENTALS	:	1.4875-1.6625

CENTRAL

Print butter markets are firm with prices sharply higher following September 19 trading at the Chicago Mercantile Exchange. Midwestern churning schedules are seasonally active, although lighter than some producers desire at this time of the year. Stocks of bulk and print butter range from in balance to short. Some Midwestern buyers had been reaching to Western areas of the country to supplement local production, but are finding stocks in that region of the U.S. to be less available. Often, Western suppliers state that they will be out of the spot market for the next 4 - 6 weeks. Current buying interest is seasonally fair. Most orders are being placed for short term needs, although year-end holiday needs are being reviewed.

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

1/4 LB. PRINTS	:	1.2450-1.6525
1 LB. PRINTS	:	1.2100-1.3725
CHIPS/PATTIES	:	1.2350-1.4450
REDDIES	:	1.3200-1.5550
CONTINENTALS	:	1.4750-1.6650

WEST

Print butter prices are sharply higher following trading at the CME on September 19. Most Western plants are committed to producing butter for the DEIP program over the next few weeks. Those not committed have seen their milk receipts drop far enough that they are struggling to keep up with regular account orders. Many Western contacts expect prices to continue to advance. Some buyers are using frozen stored butter as a second choice product. Many are surprised how fast things have tightened up. Manufacturers are wondering how to position themselves for the year end holidays with the current supply situation. Retail orders are steady, while food service accounts are rated as fair to good.

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

1/4 LB. PRINTS	:	1.4275-1.4750
1 LB. PRINTS	:	1.3575-1.4175
PATTIES	:	1.4000-1.5650
REDDIES	:	1.5250-1.5425

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

1/4 LB. PRINTS	:	1.1425-1.1825
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
09/22/97	22,592	:	111,823
09/01/97	29,320	:	118,256
CHANGE	-6,728	:	-6,433
% CHANGE	-23	:	-5

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.
SEPTEMBER 19	1,4197	1,3689	1,3829	1,3905	1,3315	1,2992	1,3103
	1,233,620	3,578,145	4,907,197	914,324	3,257,852	6,177,863	9,435,715

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

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS--MAY-JULY 1997 AND YEAR-TO-DATE 1996-97 1/

Item	May-Jul.	Percent	May-Jul.	Percent	Jan.-Jul.	Percent	Jan.-Jul.	Percent
	1996	change 4/	1997	change 4/	1996	change 4/	1997	change 4/
Million Pounds								
<u>MILK</u>								
Production	39,203	-2.7	40,556	3.5	91,498	-1.6	92,889	2.0
Marketings	38,829	-2.7	40,209	3.6	90,631	-1.6	92,089	2.1
Beginning Commercial Stocks 2/	5,606	9.5	5,962	6.4	4,099	-3.8	4,704	14.8
Imports 2/	643	-7.2	607	-5.6	1,314	-14.8	1,358	3.3
Total Supply 3/	45,078	-1.4	46,778	3.8	96,044	-1.9	98,151	2.6
Ending Commercial Stocks 2/	5,543	-0.9	6,824	23.1	5,543	-0.9	6,824	23.1
Net Removals 2/	25	-95.5	368	1372.0	57	-97.0	522	815.8
Commercial Disappearance 3/	39,510	-0.1	39,586	0.2	90,444	0.0	90,805	0.9
<u>SELECTED PRODUCTS 5/</u>								
Butter	255.3	-5.0	234.4	-8.2	704.1	-0.5	656.8	-6.2
American Cheese	831.8	5.8	833.3	0.2	1,869.8	3.0	1,896.8	1.9
Other Cheese	1,046.7	2.7	1,072.9	2.5	2,364.9	1.8	2,429.4	3.2
Nonfat Dry Milk	297.6	11.2	252.2	-15.3	658.8	23.1	564.8	-13.9
Fluid Milk Products 6/	13,396.6	0.6	13,415.9	0.1	32,329.0	1.3	32,051.3	-0.4

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/ Milk-equivalent, milkfat basis. Calculated using slightly different factors than previously. Further changes may be made as technical parameters become available. 3/ Totals may not add because of rounding. 4/ From year earlier on a daily average basis. 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. This information is now available through AutoFAX. To request a document, dial (202) 219-1107 and enter document number 11521 when prompted.

CHEESE MARKETS

NORTHEAST

Prices are unchanged on Swiss and natural styles; fractionally higher on process items. The market tone is generally unchanged. In the East, cheese production, corresponding to surplus milk volumes, is often lighter. Cheddar stocks are closely balanced and often "earmarked" for aging programs. Mozzarella demand is still improving as more colleges get into full swing. Cold storage holdings of natural American cheese at the end of August totals 459.6 million pounds, 21% more than a year ago. Retail and food service orders are steady to improved. Best interest is for process cheese at fast food outlets.

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

Cheddar 10# Prints	:	1.3875-1.8750
Cheddar Single Daisies	:	1.3575-1.8800
Cheddar 40# Block	:	1.5300-1.6800
Process 5# Loaf	:	1.5350-1.6850
Process 5# Sliced	:	1.5550-1.7200
Muenster	:	1.5725-1.9450
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The market tone is unchanged: steady on natural and unsettled on barrels and process. At last Friday's (9/19) trading at the CME, barrels increased a half cent to \$1.3250 and 40# blocks were unchanged at \$1.3925. Cheese production in the Midwest is light and following typical seasonal patterns. The need for Class I and Grade A milk in other regions is pulling milk away from manufacturing plants. Also, milk production is often lower. Fast food promotions are, in some instances, stimulating interest for process cheese. Demand for natural varieties is about steady. Supplies of natural types are generally tight. At the end of August, U.S. cold storage holdings of natural American cheese totaled 459.6 million pounds, 21% more than a year ago. Total cheese holdings were 581.5 million pounds, 15% higher than last August.

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

Process American 5# Loaf	:	1.4975-1.6400
Brick And/Or Muenster 5#	:	1.6600-1.8500
Cheddar 40# Block	:	1.6425-1.9150
Monterey Jack 10#	:	1.8425-1.9150
Blue 5#	:	1.9950-2.2000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7100-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.1000-2.4850

WEST

Cheese prices are generally steady with some fractional strength noted for process cheese. Buying activity is only fair at best. Most buyers don't believe there is much upside price potential with current production and stocks. Therefore, most are buying only on a weekly basis. A number of buyers are also holding back on purchases because of an end of the year fiscal issue. Some contacts believe that buyers have low working inventories and will be back in the market for good volumes of cheese for fall needs. Mozzarella continues to move well as demand switches to fall buying patterns. The Swiss market is expected to perform well this fall with production down and stocks down 8.7% from last year. Stocks of natural cheese are 459.6 million pounds, up 20.5% from the end of August 1996.

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

Process 5# Loaf	:	1.4975-1.7675
Cheddar 40# Block	:	1.5750-1.7300
Cheddar 10# Cuts	:	1.7500-1.9150
Monterey Jack 10#	:	1.7150-1.8775
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

FOREIGN TYPE

Prices and the market tone are unchanged. Stocks of imported cheese range from tight to fully adequate to meet current needs. Reports from Europe indicate the prices of cheese and other dairy products are rising quite rapidly. Dutch cheese prices are as high as they have been in nearly 3 years.

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	: 1.7275-2.3375
Gorgonzola	: 3.2400-5.9400	: 2.3925-2.4900
Parmesan (Italy)	: TFEWR	: 3.1375-3.1750
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4000-1.9075
Romano (Cows Milk)	: -0-	: 2.9250-3.1775
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 mostly steady throughout the East. Hot weather continues along the Gulf Coast and the milk flow is holding at or near the low point of the annual cycle. In other Southeastern states, the temperatures have been more mild and some needed rain has helped push the milk flow slightly higher. In the Northeast, milk output is steady to occasionally lower. Contacts in parts of New England report that lower milk intakes are often a result of producers getting out of the dairy farming business. Fluid milk supplies range from fully adequate to tight. Bottled milk sales are generally fair to good now that school lunch pipelines are filled and orders have settled into normal, weekly volumes. Florida handlers are importing approximately 180 loads this week. This is up from last week's 145 loads and a result of improved demand and unchanged milk production. Shipments of milk to other Southeastern states are steady to occasionally lighter. There is little or no manufacturing occurring in the Deep South. Farther north, surplus milk volumes are lighter than expected and manufacturing schedules range from light to moderate. The condensed skim market is holding up quite well, but as the "spread" between Class II and Class III-A milk prices narrows or inverts, producers expect many buyers to switch from condensed skim to NDM. (Class II milk prices have been lower than Class III-A for the past several months and contacts expect that to change in October.) Condensed skim prices are unchanged, but some suppliers are announcing price increases for October. The fluid cream market is quite firm. Spot prices are higher and mostly a result of the 7-cent increase in Grade A butter at the CME. Multiples used to determine cream prices are steady to occasionally higher. Fluid cream offerings are often tighter as some suppliers have restarted their churns and are offering little or no cream on the spot market. Ice cream production and sales are steady to seasonally heavy. Cream cheese output is quite heavy and producers are looking for more cream. Churning activity is mixed, often higher.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT			
F.O.B. Producing Plants: Northeast	-	1.4980	- 1.6906
Delivered Equivalent Atlanta	-	1.5515	- 1.6906 M 1.5558-1.6264
F.O.B. Producing Plants: Upper Midwest	-	1.5515	- 1.6478

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS	
F.O.B. Producing Plants: Northeast	- 0.9500 - 1.0350

M I D W E S T

WISCONSIN SPOT SHIPMENTS:	LOADS
SEPTEMBER 19 - 25, 1997	32
PREVIOUS WEEK	49
COMPARABLE WEEK IN 1996	76

DESTINATIONS:
FLORIDA 14, KENTUCKY 4, TENNESSEE 14

Milk production, following seasonal patterns, is steady to often lower in the Upper Midwest. Fluid milk supplies are fairly well balanced. Class I demand is reported as good to very good and surplus volumes available to manufacturing plants are a little lighter. Bottlers are stepping up schedules to meet anticipated first of the month needs and some retail features are in place and clearing more milk. Shipments of milk to the Southeast continue, but at a slightly slower pace. Besides the usual loads pooled under a Southern order, 14 loads of Wisconsin milk did move to Ohio. Loads from nearby states continue to move to Florida and other Southeastern states. Surplus milk volumes are lighter, but milk shippers report few calls from manufacturers looking for milk. The spot cream market is firm. Supplies are often tight and loads continue to be brought in from other regions. Spot prices are sharply higher due to the 7-cent jump in the Grade A butter price at the CME. The good demand for cream is limiting the volumes available to butter makers.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	SEP 19-24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.00- 39.00	\$ 28.00- 35.00
REPLACEMENT HEIFER CALVES	\$110.00-155.00	\$120.00-175.00

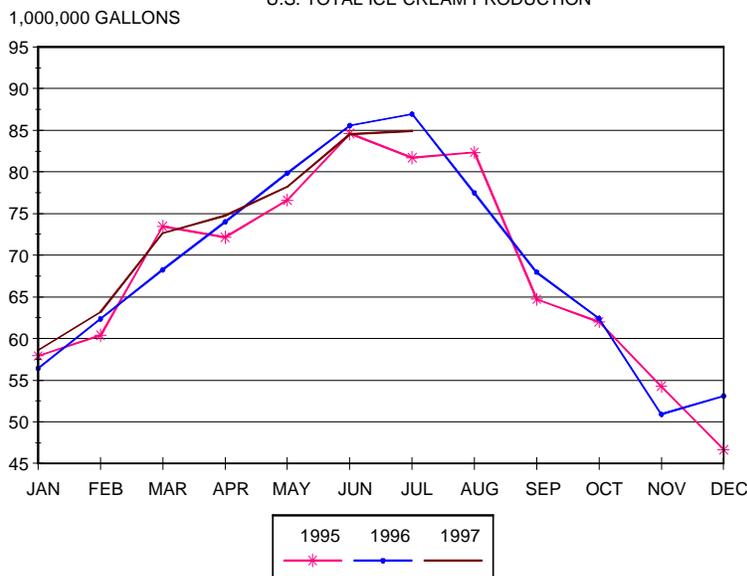
SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	SEP 19-24	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 40.25	\$ 29.00- 35.00

W E S T

August pool receipts of milk in California total 2.26 billion pounds, up 14.6% from last year. Cumulative output for the first eight months of the year totals 17.5 billion pounds, up 11.2% from the same period in 1996. The blend price at a fat test of 3.58% is \$12.28. The percentage of receipts used in Class 1 products is 23.8. The August quota price is \$13.56, up 78 cents from last month but down \$2.93 from last year. The base and overbase price is \$11.86, up 78 cents from last month. Good weather conditions over most of the Southwest and parts of California are having a positive affect on milk production. While at seasonally low levels, milk output is well above 1996 levels due to both increases in cow numbers and output per cow. Areas of Southern California are being adversely affected by hotter temperatures. The rainfall potential of Hurricane Nora has many contacts in Arizona and California concerned as the storm approaches land. Production in New Mexico is starting to increase as humid conditions dissipate and temperatures decline. Fluid milk orders are steady. Cream interest is fair to good. Prices are higher due to increasing butter prices. Demand from ice cream accounts is beginning to show more seasonal declines, while interest from cream cheese producers is increasing. Corn silage harvesting is continuing this week where it has dried up enough in the Pacific Northwest. More rain is expected this weekend, but the majority of the crop should be harvested by that time. Yields are excellent, but quality may be declining as some corn may be past the optimal harvest time. Milk production is declining more rapidly as more producers are forced to feed lower quality hay to their milking string. The reasons include both cost and availability. Manufacturing plants are operating on reduced schedules. Some plants are struggling to meet commitments because the milk is just not there. Cull cow prices dropped dramatically and the heifer market is sporadic at best. Conditions remain warmer than normal in southern Idaho. Temperatures into the high 80's are still common. The weather should be helping to hold up milk production, but feed quality issues are enough to overcome this positive factor and force milk lower. Most plants are no longer running on full production schedules. Some plants are concerned about what the winter milk flow will look like.

U.S. TOTAL ICE CREAM PRODUCTION



CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 09/25/97 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 lower on the top end of the range, reflecting lower high heat sales. The mostly range is lower due to producers dropping prices to remain competitive and to move product. The market remains rather weak. NDM is available from many producers in the region and often attractively priced from direct Western sales and resellers. Demand is unaggressive with pricing levels steady. Stocks are ample to long for current needs.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0400 - 1.0950 MOSTLY: 1.0500 - 1.0600

DRY BUTTERMILK - CENTRAL

Buttermilk prices are lower on the top end of the range and remain nominal in light trading. The market tone continues weak. Demand is seasonally light and mainly trading on a contract basis. Spot interest is very limited. Higher butter prices are reflected in increasing churning schedules at some locations, but overall production in the region remains fairly light.

BUTTERMILK: 1.0200 - 1.1000

DRY WHEY - CENTRAL

Dry whey prices are sharply higher at the plant level. The market tone is very strong. Demand is very aggressive from end users and resellers. Spot loads are hard to find from plants in the region. Some producers have cut back on their contract commitments and are leaving buyers scrambling to find replacements. Loads in the resale market are in the upper 20 to lower 30 cents range. Buyer resistance to higher prices is evident, but loads are moving quickly when offered. Production is seasonally declining, which is further complicating the supply situation. Buyers, looking to the West, are not finding much product available. Currently, stocks are light and held with confidence.

NONHYGROSCOPIC: .2450 - .2800 MOSTLY: .2500 - .2800

ANIMAL FEED WHEY - CENTRAL

Prices are higher and nominal for milk replacer and roller ground whey. Interest in both is good due to escalating edible whey prices. Spot offerings are very limited but readily purchased when offered. Standard prices are too few to report. Delactose prices are unchanged and nominal. Buying interest is slow. Product is available from several sources. Stocks are ample to long for current needs.

MILK REPLACER: .2300 - .2500
STANDARD: TFEWR
ROLLER GROUND: .2475 - .2625
DELACTOSE (Min. 20% protein): .3350 - .3600

LACTOSE - CENTRAL AND WEST

Lactose prices continue to show declines in both the range and mostly. The market tone remains weak. Early indications are that fourth quarter contract prices are fully one to two cents lower. Adjustments are being made now to keep lactose moving. Feed quality lactose prices are often higher as animal feed producers are looking for replacements for whey in formulations. Stocks remain in excess of current needs.

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

EDIBLE: .1850 - .2800 MOSTLY: .2000 - .2500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices continue to decline and the market tone is weaker. Demand is mixed among producers. Those with most of their production sold on contracts are finding the market in much better shape than others relying on spot sales. Feed accounts are showing limited additional interest, despite the increases being shown in the whey markets. Food and blender account demand is mainly fair. Stocks are adequate for most needs.

EXTRA GRADE 34% PROTEIN: .5800 - .6200 MOSTLY: .5950 - .6050

NONFAT DRY MILK - WEST

Nonfat dry milk prices are unchanged, but the market tone remains weak. CCC was offered nearly 3.2 million pounds of NDM under the price support program last week. Offerings have been rather light this week. Contacts are expecting DEIP orders to take most of their surplus production in the near term. This should slow or stop NDM offerings to CCC. NDM is available from most producers in the region. Stocks are heavy for several. Currently, production schedules are moderate to heavy in the region. Although milk production is declining seasonally, output is well over 1996 levels. High heat demand is fair to good. Production is often limited as producers attempt to process additional milk. High heat stocks are light to moderate.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0300 - 1.0650 MOSTLY: 1.0300 - 1.0500
HIGH HEAT: 1.0550 - 1.0800

DRY BUTTERMILK - WEST

Prices are lower and the tone of the market continues weak. Demand is unaggressive and limited. Interest is shifting seasonally from ice cream to other accounts. Some facilities have limited churning schedules because of good competition for cream. Cream cheese is one of the bigger users. Stocks are available from several producers and resellers.

BUTTERMILK: 1.0000 - 1.0600 MOSTLY: 1.0000 - 1.0300

DRY WHEY - WEST

Larger price increases are noted from some Western manufacturers this week. Domestic demand is excellent, often going unfilled or delayed. Sellers are scrambling to find some additional spot loads from current production schedules. Milk production is decreasing over much of the region, except California, which is further tightening the supply situation. Not all Western producers are reacting to the strength in the rest of the country, especially from the Central region. Contacts are curious how long this intense period of demand will last.

NONHYGROSCOPIC: .2050 - .2350 MOSTLY: .2125 - .2250

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended September 19, on powder sales of 14,079,325 pounds f.o.b. California manufacturing plants was \$1.0473 per pound. This compares to 9,694,057 pounds at \$1.0482 for the previous week ending September 12, 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 unchanged and the market tone is weak. Producers' stocks remain heavy. Some producers have lowered prices attempting to move inventory, but sales are limited. Resellers have some current interest, but foresee improved demand next month. Due to a possible increase in Class II milk prices for October, producers believe spot buyers of condensed skim may switch to using nonfat. Therefore, some are sitting on inventories as they await to see what the market will do. Drying schedules are lighter with the reduced availability of surplus milk.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST:	1.0500 - 1.1400
DELVD SOUTHEAST:	1.0700 - 1.0825

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are generally steady and the market tone is unchanged. Butter production is increasing in response to higher butter prices which should improve buttermilk output. Demand is mostly steady. Plant stocks are closely balanced.

F.O.B. NORTHEAST:	1.0300 - 1.0725
DELVD SOUTHEAST:	1.0725 - 1.1350

DRY WHOLE MILK - NATIONAL

Prices are steady to higher. Some DEIP activity continues, but new interest seems to have decreased since the previous week. Domestic demand remains fair. Contacts report some food manufacturers continue to use other products, such as nonfat dry milk and anhydrous milkfat, due to lower costs. Production levels are lighter and stocks are about adequate for current needs.

F.O.B. PRODUCING PLANT:	1.2450 - 1.3200
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH SEPTEMBER 19, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	42,388	MT (93,448,585 LBS)
CHANGE	--	714	MT (1,574,084 LBS)
WHOLE MILK POWDER	--	2,439	MT (5,377,019 LBS)
CHANGE	--	1,771	MT (3,904,347 LBS)
CHEESE	--	667	MT (1,470,468 LBS)
CHANGE	--	63	MT (138,890 LBS)
BUTTERFAT	--	8,470	MT (18,672,962 LBS)
CHANGE	--	236	MT (520,286 LBS)

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to slightly higher and nominal. The market tone remains very firm. Producers' stocks are tight and demand is strong. Many buyers are searching for product and coming up empty handed. Production levels are down and often insufficient to fill contracts. Some producers report being currently sold out and unsure of the availability of product for the next several weeks. Buyers have applied for advances on contracts with the earliest delivery one month from now. Grade A whey seems to be in highest demand, while Extra Grade seems more readily available. Some contacts believe this is one of the tightest markets in the past several years.

F.O.B. NORTHEAST:	EXTRA GRADE	.2400 - .2600
	USPH GRADE A	.2475 - .2800
DELVD SOUTHEAST:		.2550 - .2950

ANIMAL FEED WHEY - NORTHEAST

Prices are higher and nominal. The market tone is firm and demand is fair. Producers have sufficient product to satisfy contracts, but few have additional for spot sales. As a rule, when market prices increase, spot buying interest decreases. Production levels are lighter.

F.O.B. NORTHEAST:	MILK REPLACER	.2300 - .2400
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EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production is steady to lighter as surplus milk supplies have eased lower along seasonal patterns. Demand is generally fair. However, some buyers are placing heavier orders ahead of anticipated holiday needs and possible milk price increases. The Kansas City Commodity office announced the issuance of EVD-1, invitation 370, inviting competitive offers to sell to CCC 2,166,480 pounds of evaporated milk for shipment in November 1997.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.50 - 33.00

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

CASEIN - NATIONAL

Casein prices are holding steady as the final days of the 3rd quarter come to a close. Stocks have been readily available for both acid and rennet needs. All indications are that 4th quarter prices and availability should be much the same. Traders are not concerned about product supplies as most has been contracted and delivery is expected to occur as scheduled.

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	09/11	09/12	09/15	09/16	09/17	09/18	09/19	09/22	09/23	09/24
CSCE CHEDDAR CHEESE -- Cents per pound										
OCT 97	134.00 (10) 0	134.00 (6) 0	134.00 (6) 0	134.00 (6) 0	134.00 (6) 0	134.50 (6) 0	135.00 (6) 2	134.50 (4) 0	135.00 (4) 0	136.00 (4) 0
DEC 97	126.50 (2) 0	126.00 (2) 0	126.00 (2) 4	125.00 (6) 0	122.50 (6) 0	122.50 (10) 4	123.00 (10) 0	122.50 (10) 0	122.50 (10) 0	123.50 (10) 0
FEB 98	122.80 (0) 0	122.30 (0) 0	122.30 (0) 0	122.30 (0) 0	119.80 (0) 0	119.80 (0) 0	120.30 (0) 0	119.80 (0) 0	119.00 (0) 0	120.80 (0) 0
CSCE - NONFAT DRY MILK -- Cents per pound										
OCT 97	104.30 (4) 0	104.30 (4) 0	104.30 (4) 0	104.30 (4) 0	104.30 (4) 0	104.00 (4) 0	104.00 (4) 0	104.00 (4) 0	104.00 (4) 0	104.00 (4) 0
FEB 98	101.80 (0) 0	101.80 (0) 0	101.80 (0) 0	101.80 (0) 0	101.80 (0) 0	101.50 (0) 0	101.50 (0) 0	101.50 (0) 0	101.50 (0) 0	101.50 (0) 0
CSCE - BUTTER - Cents per lb.										
OCT 97	97.50 (9) 0	97.50 (9) 0	99.00 (9) 0	100.00 (9) 0	101.00 (9) 0	101.00 (9) 0	101.00 (9) 0	107.50 (9) 0	112.00 (9) 0	112.50 (9) 20
DEC 97	83.50 (42) 0	85.50 (42) 0	83.00 (50) 8	84.00 (50) 0	85.00 (50) 0	85.00 (42) 8	85.00 (42) 0	91.50 (42) 0	96.00 (42) 0	96.50 (42) 0
CSCE - BFP -- Dollars per cwt.										
SEP 97	12.53 (230) 7	12.56 (228) 0	12.56 (238) 23	12.55 (234) 1	12.60 (236) 14	12.62 (228) 16	12.63 (228) 0	12.63 (228) 0	12.64 (228) 0	12.68 (228) 0
NOV 97	12.13 (31) 5	12.14 (36) 0	12.13 (36) 0	12.11 (36) 0	12.07 (49) 20	12.06 (49) 0	12.05 (55) 2	12.06 (55) 0	12.13 (55) 1	12.15 (57) 22
FEB 98	11.53 (57) 0	11.54 (67) 10	11.50 (67) 0	11.48 (67) 0	11.50 (67) 0	11.55 (67) 1	11.60 (67) 4	11.58 (79) 19	11.60 (77) 30	11.58 (77) 0
CSCE - FLUID MILK -- Dollars per cwt.										
OCT 97	14.55 (16) 0	14.55 (16) 0	14.55 (16) 0	14.55 (16) 0	14.55 (16) 0	14.55 (16) 0	14.18 (16) 0	14.18 (16) 0	14.70 (16) 0	14.30 (16) 0
DEC 97	12.50 (4) 0	12.50 (4) 0	12.50 (4) 0	12.50 (4) 0	12.50 (4) 0	12.50 (4) 0	12.13 (4) 0	12.13 (4) 0	12.65 (4) 0	12.25 (4) 0
FEB 98	12.95 (0) 0	12.95 (0) 0	12.95 (0) 0	12.95 (0) 0	12.95 (0) 0	12.95 (0) 0	12.58 (0) 0	12.58 (0) 0	13.10 (0) 0	12.70 (0) 0
CME - BUTTER -- Cents per pound										
SEP 97	101.10 (45) 13	103.60 (39) 4	106.00 (42) 13	106.00 (45) 6	105.00 (44) 0	106.00 (43) 5	108.50 (31) 12			
NOV 97	97.00 (38) 0	99.25 (38) 0	99.25 (41) 8	101.75 (41) 0	99.50 (42) 7	102.00 (44) 9	104.50 (45) 4	109.50 (46) 1	112.00 (46) 3	114.25 (46) 0
CME - BFP -- Cents per pound										
SEP 97	12.54 (95) 15	12.57 (95) 0	12.55 (95) 10	12.55 (94) 4	12.61 (95) 1	12.61 (87) 17	12.64 (87) 5	12.65 (86) 6	12.67 (85) 5	12.70 (85) 0
NOV 97	12.14 (82) 5	12.14 (87) 5	12.15 (87) 0	12.13 (87) 2	12.08 (87) 0	12.07 (105) 19	12.08 (109) 10	12.07 (132) 23	12.12 (132) 0	12.15 (132) 2
FEB 98	11.56 (1) 0	11.56 (1) 0	11.56 (1) 0	11.56 (1) 0	11.57 (1) 0	11.60 (1) 0	11.54 (0) 1	11.55 (5) 5	11.55 (5) 0	11.55 (5) 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.

***CORRECTION -On Report #37 for CSCE BFP on Sept 5 there should be NO price.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered September 15 - 26, 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.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Western European milk production is nearing seasonal low levels. In some regions, output is expected to regain some of its loss as favorably warm early fall temperatures are common. The overall tone to European markets is firm. Prices are generally higher, following very active butter markets. Early reports are indicating that inventory levels might not be as favorable as many producers/handlers would desire as winter approaches. Much of the uncertainty centers around adjusted manufacturing patterns during the past milk production season. In light of low butter inventories and late summer price increases in this market, diversions away from other dairy products provided additional milk volumes for butter/powder. Traders feel that the release of SMP and butter stocks from intervention will have limited impact on product shortages. Compared to past years, butter stocks are in the lightest positions with less than 20,000 tons left in EU intervention stocks. Overall buying interest is still slow, although Middle Eastern buyers are more active as Ramadan (the Muslim religious holiday) is earlier this year and supplies of dairy products are being readied for this month long period.

BUTTER/BUTTEROIL: European butter markets remain firm as prices continue to increase. Stock levels of butter are lower than many traders desire for this time of the season. In instances, stocks are being pulled from private storage earlier which is lowering already lighter than desired inventories. Russian buying interest remains strong. As European prices firm, this is narrowing sales potential to the Former Soviet Union.

82% BUTTERFAT:	1,950 - 2,200
99% BUTTERFAT:	2,300 - 2,400

SKIM MILK POWDER (SMP): Skim powder markets are firm as prices increase on the tail of higher butter prices. Overall buying interest is slow and unaggressive. Buyers that are looking for prompt delivery of European powder are being quoted higher prices with buyers hesitant to pay the higher quotes. Stocks of powder are reported to be balanced. Government intervention in Poland remains open for another week.

1.25% BUTTERFAT:	1,715 - 1,760
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm with prices generally higher. Whole milk powder production is lower due to heavier volumes of milk clearing to butter/powder production and good sales of fresh cream. Stocks of powder are not overly excessive, and in instances, some traders have more orders than supplies. Occasionally, some lots of older powder with a May or June production date are available at lower prices.

26% BUTTERFAT:	1,800 - 1,900
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SWEET WHEY POWDER: Whey powder prices are mixed, slightly lower to generally higher. Stocks of powder range from in balance to tight. Whey production during the past season has been mixed. Cheese production has been seasonally active, although with a firm butter market, diversions toward butter/powder for surplus milk volumes has limited maximum cheese potential. U.S. traders are questioning the sourcing and volumes of the recent Japanese feed use whey tender of a few weeks ago.

NONHYGROSCOPIC:	490 - 600
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EASTERN EUROPE: Conditions in Eastern Europe are much the same as 2 weeks ago. Prices are steady to higher. Seasonal milk production is at or very near seasonal low levels. Government intervention in Poland for skim milk continues to absorb powder at \$1,570 per MT. The intervention tonnage is 15,000MT. Eastern European stocks are reported to be in close balance for domestic needs with some traders feeling that international trading will be limited.

OCEANIA

OVERVIEW: Milk production in this region of the world is increasing as spring weather conditions develop. A good start to the production season is at hand. In many areas of New Zealand, production is ahead of last year at this time. Milk handlers state that if these conditions and patterns would continue, milk volumes would be at or higher than last year. Heavy rainfall has occurred over the past few weeks in the dairy areas of Australia which is relieving some low moisture pressures. Although production and protein levels are higher in Australia, early reports are indicating that butterfat tests are lower. Milk handlers are attributing the lower fat tests to less than desirable herd conditioning at the start of the production season. In both Australia and New Zealand, milk handlers are not anticipating production patterns to remain this favorable. Many feel that milk volumes will be strong for the first half of the production cycle, but will drop quickly during the second half. Unfavorable weather forecasts are being sited for the second half decline. Low subsoil moisture levels and the potential lack of sufficient moisture during late summer months are major factors affecting production estimates. Current milk production patterns are generating milk volumes that are keeping manufacturing facilities active. Stocks of manufactured dairy products are starting to build with most producers comfortable with current production patterns. In light of an uncertain milk production season, inventories are being held for future market development. Oceania product prices are steady to firm, following trends from other parts of the world.

BUTTER: Butter production within the Oceania region is building seasonally. Prices are also on the increase, keeping pace with the international firmness in butter markets. Current buying interest out of this area remains slow, although traders anticipate activity to build as stocks from other international sources become less available. Buying interest from the Former Soviet Union remains strong. Most traders anticipate this buyer interest to continue throughout Oceania's production season.

82% BUTTERFAT:	1,550 - 1,700
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CHEDDAR CHEESE: Cheese output is increasing as the milk production season is off to a strong start. Stock levels are reported to be in close balance, although much of current trading continues to occur from previous commitments and last year's production. Potential buyer interest for the upcoming production season is developing well. Oceania traders are comfortable with current demand and, at this time, are comfortable with production schedules to meet potential needs.

39% MAXIMUM MOISTURE:	2,100 - 2,200
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SKIM MILK POWDER (SMP): As in other manufactured dairy product markets, SMP production is increasing seasonally. Prices are steady to slightly higher. Firmer prices are generally in response to higher prices elsewhere in the international market. Traders are concerned about stock levels later in the summer and what effect potentially unfavorable weather forecasts will have on milk production and dairy markets as a whole from this region.

1.25% BUTTERFAT:	1,675 - 1,700
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WHOLE MILK POWDER (WMP): Whole milk powder markets are firm. Prices are steady to higher. Milk production within the Oceania region is building seasonally, thus whole milk production is increasing also. Overall stock levels remain light for the current limited buyer interest, but are building as seasonal output increases.

26% BUTTERFAT:	1,700 - 1,750
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Exchange rates for selected foreign currencies: September 22, 1997

.4962 Dutch Guilder	.5583 German Mark
.1661 French Franc	.6364 New Zealand Dollar
.1295 Mexican Peso	.7212 Australian Dollar
1.6040 British Pound	.0082 Japanese Yen
.2905 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1295) = 7.7220$. That is 1 US Dollar equals 7.7220 Mexican Pesos.

Source: *Wall Street Journal*

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.

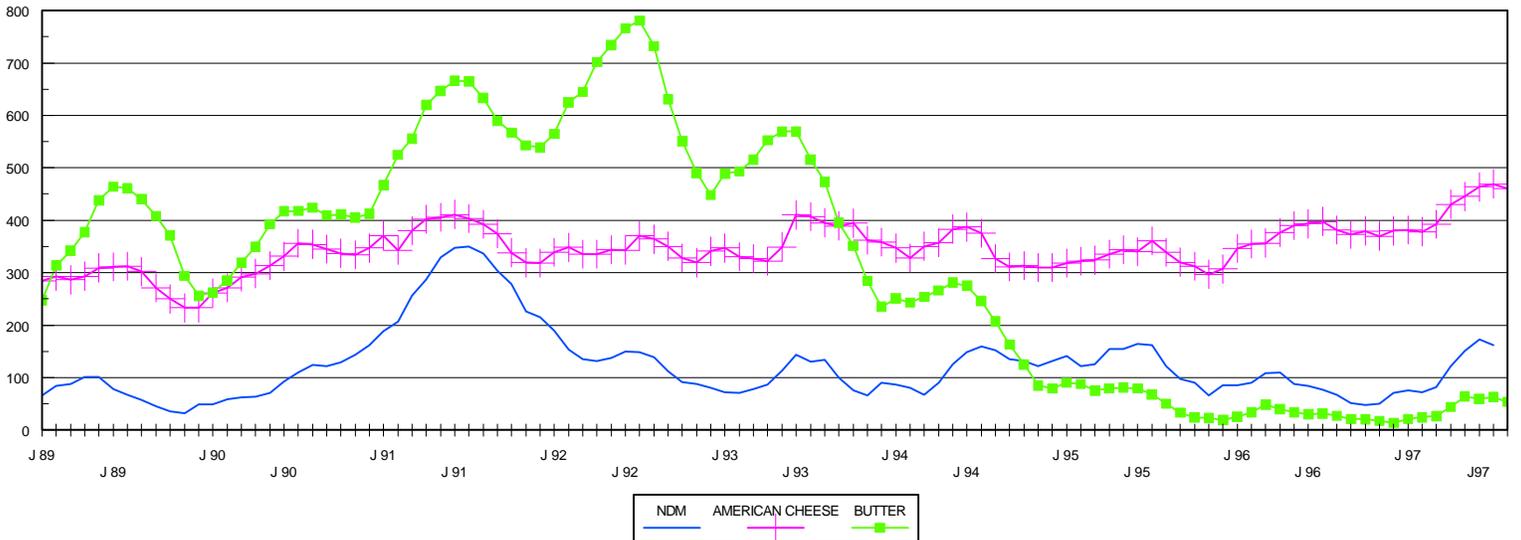
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	JUL 31, 1995	JUL 31, 1996	REVISED JUL 31, 1997	AUG 31, 1995	AUG 31, 1996	AUG 31, 1997
Cream	1,181	1,579	---	1,371	1,356	---
Butter	68,338	31,654	62,757	50,249	27,299	53,595
Evap. & Cond. Milk	1,400	1,013	---	2,118	692	---
Cheese, Natural American	361,428	397,743	469,119	339,340	381,241	459,599
Cheese, Swiss	7,532	12,460	11,516	7,250	12,606	11,507
Cheese, Other Natural	113,436	126,397	124,372	111,518	113,095	110,400
GOVERNMENT OWNED COLD STORAGE HOLDINGS FOR THE U.S.						
Butter	21,200	793	661	15,943	843	570
Natural American Cheese	268	166	47	202	225	294

AUGUST COLD STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter			Other Natural Cheese		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
New England	11,186	14,267	24,178	3,666	4,123	8,326	102	57	175
Middle Atlantic	39,921	39,784	42,972	10,071	3,326	8,670	12,720	15,364	18,116
East North Central	187,923	216,588	245,669	5,993	6,088	11,614	89,969	84,202	76,027
West North Central	62,220	57,461	78,103	12,132	6,102	8,292	1,171	2,130	4,283
South Atlantic	238	321	226	896	303	469	1,592	5,784	5,080
East South Central	220	179	264	844	473	151	3,941	3,442	2,956
West South Central	254	344	2,387	8,694	950	653	364	199	172
Mountain	18,540	17,270	20,839	1,242	614	349	766	575	1,010
Pacific	18,838	35,027	44,961	6,711	5,320	15,071	893	1,342	2,581
TOTAL	339,340	381,241	459,599	50,249	27,299	53,595	111,518	113,095	110,400

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

1989 TO DATE U.S. COLD STORAGE HOLDINGS
COMBINED GOVERNMENT AND COMMERCIAL

MILLION POUNDS



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 1996 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>	
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
	Million Pounds						Million Pounds						Million Pounds					
January	21	25	21	22	<u>3/</u>	3	382	346	381	346	<u>3/</u>	<u>3/</u>	75	86	75	72	<u>3/</u>	14
February	24	34	24	30	<u>3/</u>	4	378	355	378	354	<u>3/</u>	<u>3/</u>	72	90	72	80	<u>3/</u>	10
March	27	49	26	47	<u>3/</u>	1	392	356	392	356	<u>3/</u>	<u>3/</u>	82	108	81	98	<u>3/</u>	10
April	44	40	42	37	2	3	430	377	430	377	<u>3/</u>	<u>3/</u>	122	110	121	100	<u>3/</u>	10
May	64	34	62	33	2	1	445	390	445	390	<u>3/</u>	<u>3/</u>	151	88	151	86	<u>3/</u>	1
June	60	30	59	29	1	1	463	393	463	393	<u>3/</u>	<u>3/</u>	173	84	173	82	<u>3/</u>	1
July	63	32	62	31	1	1	469	398	469	398	<u>3/</u>	<u>3/</u>	162	77	159	77	3	<u>3/</u>
August	54	27	53	26	1	1	460	381	459	381	<u>3/</u>	<u>3/</u>		67		66		<u>3/</u>
September		21		21		1		373		372		<u>3/</u>		51		50		<u>3/</u>
October		21		20		<u>3/</u>		379		379		<u>3/</u>		48		47		<u>3/</u>
November		18		17		<u>3/</u>		370		370		<u>3/</u>		50		49		<u>3/</u>
December		14		13		<u>3/</u>		380		380		<u>3/</u>		71		71		<u>3/</u>

NA = Not available. 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	Jul 31, 1995	Jul 31, 1996	Jul 31, 1997	Aug 31, 1995	Aug 31, 1996	Aug 31, 1997
	Thousand Pounds					
Butter	47,138	30,861	62,096	34,306	26,456	53,025
Natural American Cheese	361,160	397,577	469,072	339,138	381,016	459,305

1/ Total holdings minus Government owned holdings. For more information, see page 9 of this report.

SOURCE: "Cold Storage," Co St 1 (9-97) and "Dairy Products," Da 2-6 (9-97), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Agricultural Stabilization and Conservation Service.

THE DAIRY SITUATION AND OUTLOOK*

Cheese prices rose sharply during July and August as wholesale movement recovered and milk production gains stabilized. Early September prices on the Chicago Mercantile Exchange were 20-24 cents per pound above the early May lows. However, any further seasonal rises probably will be quite modest and current levels might not hold. Surpluses of nonfat dry milk are available to boost cheese production and any additional cheese price rises could trigger a flood of powder into cheese production. Exports under the Dairy Export Incentive Program (DEIP) and even significant sales to the government under the support program have yet to bring the heavy stocks of nonfat dry milk under control.

Commercial use of dairy products rose substantially in June-July, following a weak April-May. Most of the dramatic swings in 1997 commercial use, compared with a year earlier, were caused by pipeline stock adjustments that were the opposite of those taken a year earlier. Likely large pipeline holdings were cut during April-May this year, instead of being built as they were last year. Similarly, pipeline holdings probably were recovering during June-July, compared with steady to declining stocks a year earlier. For the first 7 months of 1997, commercial use of all products rose about 1 percent--fairly strong considering all factors but possibly disappointing in light of the strong economy. Food processor use of dairy ingredients may still be reacting to the high and unstable prices of 1996.

Milk production in the 20 States rose more than 4 percent from the very weak levels of June-August 1996. Better planning enabled producers to avoid the 1996 forage problems and resulting collapse in milk per cow, even though the 1997 forage crop had its own troubles. In addition, declines in milk cow numbers have slowed slightly because of more new or expanded herds in a few key States. However, continuing short supplies of dairy quality forage, unfavorable milk-feed price ratios, and lackluster returns have kept milk production from doing much more than reversing last year's declines.

August 1 commercial stocks of dairy products were more than 1 billion pounds, milk equivalent, higher than a year earlier. American cheese holdings were substantially higher than a year earlier but were not so heavy as to forestall price increases. On the other hand, manufacturers' stocks of nonfat dry milk were about twice the year-earlier level and well above the heavy stocks of 1995. Although DEIP sales have been large since midyear, many of these contracts covered shipments through autumn 1997 or winter 1998. Price support purchases of 27 million pounds of nonfat dry milk since May were the largest since 1994, although hardly large by the standards of most earlier years.

Milk production during the last quarter of 1997 is expected to be only fractionally higher than the recovering levels of a year earlier. Forage supplies will be of mediocre quality and high priced, even though the silage crop looks promising in most areas. Milk-feed price ratios will be at levels normally associated with conservative concentrate feeding and below-trend growth in milk per cow. Although there probably will be a few more expanding herds, the combined effects of forage quality and prices and of recently lower returns is projected to keep declines in milk cow numbers near 1 percent.

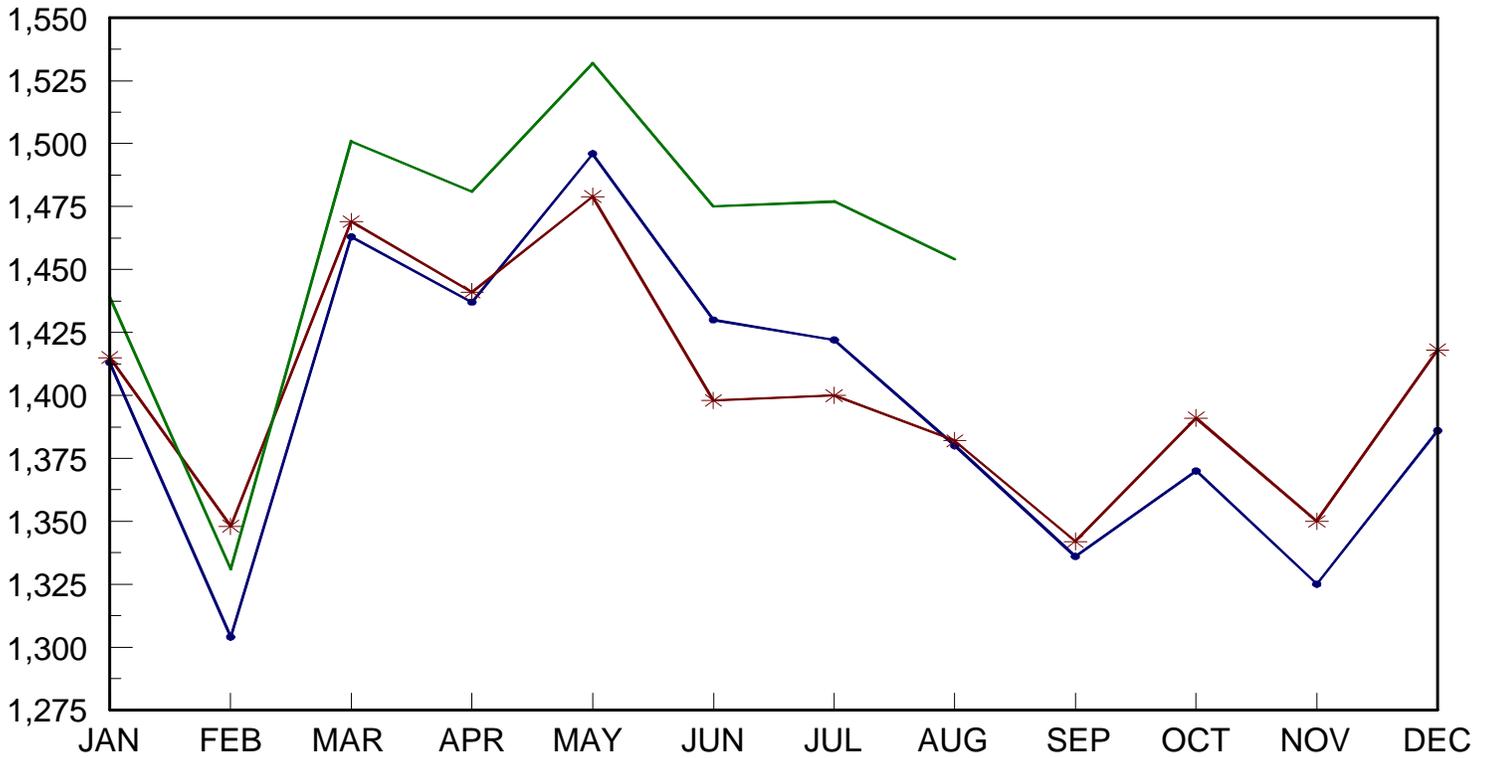
Dairy demand is expected to be modestly good during the rest of 1997, as the economy continues to grow. However, commercial use is not expected to be brisk enough to absorb the increase in milk output, pull stocks down, and generate much further price strength. Although DEIP sales certainly will buttress prices during autumn, the international market is not expected to generate a flurry of additional sales for autumn shipment. Prices of nonfat dry milk are not projected to post much seasonal rise, and cheese prices and manufacturing milk values may slip after an early autumn peak. Butter prices will be unsettled but may regain some of their August declines as the year-end holidays approach. Average prices of all milk are projected to be about \$14 per cwt, significantly higher than during spring and summer but far below a year earlier.

For all of 1997, milk production is expected to rise over 1 percent from a year earlier and fractionally from 1995. Expansion in milk output would only slightly exceed the projected rise in commercial use of milkfat but would be considerably more than growth in the sales of skim solids. Price support removals will be higher in 1997 but are projected to be only about 1.5 percent of production. Farm milk prices are expected to average \$13.10 to \$13.30 per cwt, down sharply from 1996's record but significantly above prices of 1993-95.

Source: "Livestock, Dairy, and Poultry Monthly", LDP-M-45, September 17, 1997, Economic Research Service, USDA. For more information, contact James J. Miller, or Laverne T. Williams, (202) 219-0770.

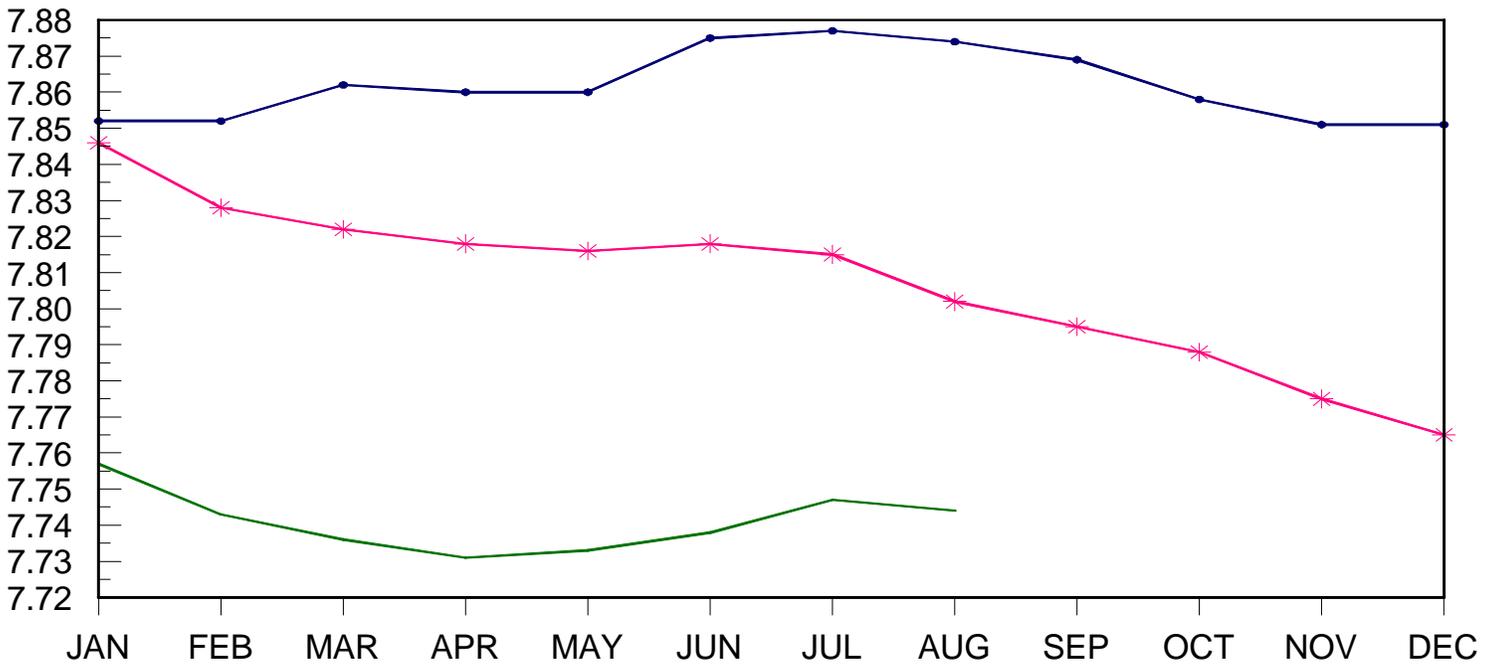
MILK PRODUCTION PER COW

POUNDS



MILK COW NUMBERS - TOP 20 STATES

MILLION HEAD



CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF SEPTEMBER 22 - 26, 1997				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD	
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/96	LAST YEAR	09/19/97	LAST YEAR	
BUTTER								
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
CHEESE								
Block	-0-	-0-	-0-	330,284	-0-	-0-	-0-	
Barrel	-0-	-0-	-0-	392,874	-0-	-0-	-0-	
Process	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-	
NONFAT DRY MILK								
Nonfortified	548,945	581,910	-32,965	30,884,312	-0-	-0-	-0-	
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	548,945	581,910	-32,965	30,884,312	-0-	-0-	-0-	

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

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	BASIS	SOLIDS		BASIS	SOLIDS
WEEK OF SEPTEMBER 22 - 26, 1997 =	0.0	-0.4	COMPARABLE WEEK IN 1996 =	0.0	0.0
CUMULATIVE SINCE OCTOBER 1, 1996 =	24.4	378.4	CUMULATIVE SAME PERIOD LAST YEAR =	0.0	0.0
CUMULATIVE JANUARY 1 - SEPTEMBER 26, 1997 =	24.4	378.4	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

REGION	CCC ADJUSTED PURCHASES SINCE 10/1/96 AND SAME PERIOD LAST YEAR (POUNDS)				AND MILK EQUIVALENT AS A PERCENT OF TOTAL			
	BUTTER	CHEESE	NONFAT DRY MILK	MILK EQUIVALENT	1996/97	1995/96	1996/97	1995/96
MIDWEST	-0-	-0-	1,514,684	-0-	-0-	-0-	57.3	0.0
WEST	-0-	-0-	392,874	-0-	30,884,312	-0-	42.7	0.0
EAST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
TOTAL	-0-	-0-	1,907,558	-0-	30,884,312	-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 09/06/97 & Comparable Week 1996 (1/ 2/)

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	---	10.7	17.5	2.5	2.9	1.1	8.1	2.7	47.3	1,969.0	49.0	46.0
1996-Dairy cows HD (000)	0.3	1.3	---	10.4	21.3	2.3	3.7	1.1	7.8	2.8	51.0	2,026.1	44.9	43.5
1997-All cows HD (000)	0.4	1.6	---	22.1	23.9	12.0	14.6	6.8	9.9	5.3	96.5	4,284.4		
1996-All cows HD (000)	0.3	1.3	---	23.7	28.1	16.4	17.9	9.1	9.9	6.7	113.5	4,662.4	**REGION 3 & 4 COMBINED**	

1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

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.

CCC MARKET PRICE INVITATIONS (POUNDS)

CHEESE NOVEMBER DELIVERY OFFERS ARE DUE SEPT. 30. PUBLIC RELEASE OF AWARDS WILL BE OCT. 3 AT 4:00 P.M.(CST).

PROCESS	
2# LOAVES	950,400
5# LOAVES	673,200
SLICED	2,613,600
MOZZARELLA	1,532,160
LITE	362,880
LITE, SHREDDED	403,200
NATURAL AMERICAN	
BLOCKS	279,651
CUTS	199,751
SHREDDED	38,400
REDUCED FAT - BLOCKS	79,900
REDUCED FAT - SHREDDED	307,200

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/96 = 89,409,375

CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/96 = 12,521,747

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	12.07				