

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/20):**

BUTTER: Grade AA closed at \$1.1250. The weekly average for Grade AA is \$1.1167 (+.0059).

CHEESE: Barrels closed at \$1.1050 and blocks at \$1.1400. The weekly average for barrels is \$1.1010 (+.0010) and blocks, \$1.1330 (+.0195).

NONFAT DRY MILK: Extra Grade closed at \$0.9100 and Grade A at \$0.9100. The weekly average for Extra Grade is \$0.9100 (-.0050) and Grade A, \$0.9100 (-.0200).

BUTTER: Butter producers and handlers indicate that orders have slowed considerably with most current activity centering around short term or replacement needs. Cream offerings were increasing by midweek, thus churning schedules across the country are building and will remain quite active into the New Year. Inventoried and current volumes of butter are readily available for needs. Butter imports into the U.S. under quota are lagging last year, while above quota volumes are sharply lower. For the first eleven months of 2002, quota butter imports totaled 11.9 million pounds. This figure, through the end of November, compares to 14.8 million for the same period last year. The annual quota volume for 2002 is 15.4 million pounds. Above quota (high tier) imports of 880,000 pounds, for the same eleven months, are considerably lower than last years' 25.8 million pounds.

CHEESE: The cheese market is steady. Current bulk cheese requirements are lighter as cutters and processors plan to operate on reduced schedules during the 2 week holiday period and holiday orders have been shipped. Buyers are also trying to minimize yearend inventory levels. Although for some, an increase in the cheese price would increase the yearend inventory value. During the week ending December 20, CCC purchased 2,296,800 pounds of Midwestern process cheese and 296,019 pounds of Western barrels, the first barrels since mid-September. Most cheese plants are expected to operate on extended schedules during the holiday period as milk backs up from bottlers and alternative users.

FLUID MILK: Milk production is steady to higher with heavier output generally reported in the Southern half of the nation. Class I sales are good in the East yet demand is dwindling in most other areas as schools break for the holidays. As a result, bottling activity is lower and surplus milk supplies are increasing. Balancing plants are adequately handling excess milk volumes. Condensed skim movement is increasing as handlers opt to move condensed skim and avoid the cost of drying. Class II cream interest is slowing. More cream is moving into churns at lower multiples. Cream supplies are mostly in balance with heavier production anticipated over the holidays.

DRY PRODUCTS: Dry product prices are trending steady to lower. Sales of NDM to the CCC persist at the 80 cent level, encouraging market prices to trend lower. Production is expected heavier during the next 2 weeks in response to heavier milk supplies over the holidays. Likewise, production of buttermilk is expected to increase. Stocks are ample in the West and mostly in balance elsewhere. Whey markets are weak. Demand is light, especially as some buyers hold off on their purchases to avoid heavy stocks at the year end.

Lactose prices are expected unchanged to higher in the first quarter. The WPC market is steady on light trading schedules.

CCC: During the week of December 16 - 20, CCC purchased 6,759,823 pounds of NDM, 6,385,041 pounds from the West and 374,782 pounds from the Midwest. CCC also purchased 296,019 pounds of Western barrel cheese and 2,296,800 pounds of Midwestern process cheese.

NOVEMBER MILK PRODUCTION (NASS): Milk production in the 20 major States during November totaled 11.7 billion pounds, up 1.8% from November 2001. October revised production, at 12.0 billion pounds, was up 2.1% from October 2001. The October revision represented a decrease of 26 million pounds or 0.2% from last month's preliminary production estimate. Production per cow in the 20 major States averaged 1,501 pounds for November, 16 pounds above (1.1%) November 2001. The number of cows on farms in the 20 major States was 7.79 million head, 54,000 head more (+0.7%) than November 2001, and 1,000 head more than October 2002.

NOVEMBER FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During November, about 9.9 billion pounds of milk were received from producers. This volume of milk is 1.2% below November 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.1%.) About 3.9 billion pounds of producer milk were used in Class I products, 0.4% below the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilization percentages were; Class I = 40%, Class II = 9%, Class III = 45%, and Class IV = 6%. The weighted average statistical uniform price was \$11.49 per cwt., \$0.22 lower than last month, and \$2.70 lower than last year.

DAIRY SITUATION & OUTLOOK (ERS): Price recovery is not likely to come quickly. Milk per cow is projected to rise about 2% in 2003, particularly if milk-feed relationships improve as the year progresses. By late 2003, declines in cow numbers could be the sharpest seen in several years. Demand for dairy products is expected to grow, but recovery may not be particularly brisk. However, recovering demand and easing growth in milk production will help offset normal seasonal price softness. Retail dairy prices are expected to be about the same.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for January 2003 is \$10.56. This price is derived from the advanced Class IV skim milk pricing factor of \$6.67 and the advanced butterfat pricing factor of \$1.1784 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for January is \$7.37 and the Class II nonfat solids price is \$0.8189 per pound. The following are the two-week product price averages: butter \$1.0813, nonfat dry milk \$0.8813, cheese \$1.1195, and dry whey \$0.2038.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY DECEMBER 16	TUESDAY DECEMBER 17	WEDNESDAY DECEMBER 18	THURSDAY DECEMBER 19	FRIDAY DECEMBER 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1000 (N.C.)	\$1.1000 (N.C.)	\$1.1000 (N.C.)	\$1.1000 (N.C.)	\$1.1050 (+.0050)	(+.0050)	\$1.1010 (+.0010)
40# BLOCKS	\$1.1300 (N.C.)	\$1.1300 (N.C.)	\$1.1300 (N.C.)	\$1.1350 (+.0050)	\$1.1400 (+.0050)	(+.0100)	\$1.1330 (+.0195)
NONFAT DRY MILK							
EXTRA GRADE	\$.9100 (-.0050)	\$.9100 (N.C.)	\$.9100 (N.C.)	\$.9100 (N.C.)	\$.9100 (N.C.)	(-.0050)	\$.9100 (-.0050)
GRADE A	\$.9100 (-.0200)	\$.9100 (N.C.)	\$.9100 (N.C.)	\$.9100 (N.C.)	\$.9100 (N.C.)	(-.0200)	\$.9100 (-.0200)
BUTTER							
GRADE AA	\$1.1125 (N.C.)	----	\$1.1125 (N.C.)	----	\$1.1250 (+.0125)	(+.0125)	\$1.1167 (+.0059)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: No cash trading December 24, 25 & 31 and January 1.

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 16, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$0.9100; 1 CAR GRADE A @ \$0.9100
 BUTTER — SALES: NONE; BIDS UNFILLED: 13 CARS GRADE AA: 2 @ \$1.1125, 4 @ \$1.1100, 1 @ \$1.1075, 2 @ \$1.1050, 2 @ \$1.1025, 2 @ \$1.1000; OFFERS UNCOVERED: NONE

TUESDAY, DECEMBER 17, 2002

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.1100; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1300; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, DECEMBER 18, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 12 CARS GRADE AA: 2 @ \$1.1125, 2 @ \$1.1100, 2 @ \$1.1075, 3 @ \$1.1050, 3 @ \$1.1025; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 19, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1350; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, DECEMBER 20, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1050; 1 CAR 40# BLOCKS @ \$1.1400; OFFERS UNCOVERED: NONE
 NONFAT DRY MILK — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 11 CARS GRADE AA: 2 @ \$1.1125, 4 @ \$1.1200, 2 @ \$1.1250, 1 @ \$1.1225, 2 @ \$1.1250; BIDS UNFILLED: 21 CARS GRADE AA: 2 @ \$1.1250, 3 @ \$1.1225, 2 @ \$1.1200, 2 @ \$1.1150, 2 @ \$1.1125, 2 @ \$1.1100, 3 @ \$1.1075, 2 @ \$1.1050, 3 @ \$1.1025; OFFERS UNCOVERED: NONE

BUTTER MARKETS

NORTHEAST

The market tone is mostly steady and the price at the CME (through 12/16) has traded in a very narrow range (\$.0025) since December 2. Butter production in the East is starting to increase as cream supplies become more plentiful. Some Class cream users will be down for the next 2-3 weeks and this is pushing more cream into churning facilities. Most holiday orders have been shipped and in the stores. Sales of bulk are steady at best while retail sales are just improved where featured. Food service orders are fairly good, but starting to ease as the Christmas shopping season draws to a close. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

The market tone is basically steady, although producers and handlers question where will the cash price settle once the holidays are over. Some producers are stating that they would not be surprised if the cash price would weaken to around or slightly under the current support price and some surplus butter stocks might then clear to CCC. Producers indicate that cream offerings are already starting to increase. Most anticipate that over the next two weeks, cream offering will be quite heavy and hopefully at favorable prices. Stocks of butter are fully sufficient for current needs. Orders this week are being placed for short term or last minute fill-in needs. Retail feature activity at \$.99 per pound is occurring at

some Midwestern grocery stores. Producers and handlers state that sales at this price level should clear large volumes of available butter. Food service orders have been equally strong as restaurants prepare for the year end holidays. Bulk butter for spot sales is selling in a range of flat to 2 cents per pound over various pricing basis.

WEST

Cash butter prices at the CME continue to move in a very narrow range on light trading. Most market contacts are encouraged by the strong sales of butter at the Thanksgiving holiday and what that might mean for the upcoming year end holidays. Good feature activity continues to be noted. Most orders have now been filled and are at retail centers. Any additional orders will be of a fill in nature. Churning levels are being called moderate currently, but they are expected to increase as the holidays approach. Plants are planning to only take Christmas day off and work the rest of the time through the end of the year. It remains to be seen what impact the first major storm of the season will have on milk supplies over the next two weeks. CME weekly warehouse stocks continue to decline slowly which is normal for the end of the year. Stocks normally begin to increase the first week of January and often build right up until Easter. Current prices for bulk butter range from 3 cents under to flat market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES
 U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
DEC 14	1.1117 8,580,334	1.1013 10,045,755	0.8653 22,092,752	1.0899 3,913,760	0.1989 12,892,311	1.4213 2,019,059	1.3969 3,484,978

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

CHEESE MARKETS

NORTHEAST

Prices are generally lower and the market tone is unsettled. Cheese production in the East is showing more signs of increasing due to an expected rise in the supply of surplus milk during the coming weeks. Most cheese producers are making arrangements to take in extra milk during the holidays. Conversely, a few operations are expecting to be down for several days. Cheese stocks are more than adequate to fill the steady to slower demand. Most holiday needs have been shipped, distributors remain busy making last minute deliveries. Some are very active as they get more products out to customers before the shortened work-weeks to come. Retail and food service order are mostly steady.

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

Cheddar 10# Prints	:	1.1750-1.6700
Cheddar Single Daisies	:	1.1325-1.5975
Cheddar 40# Block	:	1.2525-1.4975
Process 5# Loaf	:	1.3100-1.5100
Process 5# Sliced	:	1.3300-1.5775
Muenster	:	1.3375-1.5425
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady. A few traders speculate prices could temporarily increase for yearend inventory value consideration while others feel that offerings are increasing and will pressure prices lower. Most buyers are holding back on current purchases to help manage yearend inventory levels unless something is needed immediately. Current supplies are generally adequate though some buyers are looking for an occasionally elusive load or two of a specialty variety. Most cutters and processors expect to operate on abbreviated schedules (generally down 2 days) the next two weeks with hopes that orders for early 2003 will rebound for the Super Bowl in late January. Many plant operators have made commitment(s) to purchase surplus yearend holiday milk at attractive prices. Current production is steady to slightly heavier.

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

Process American 5# Loaf	:	1.2800-1.5200
Brick And/Or Muenster 5#	:	1.5900-1.6725
Cheddar 40# Block	:	1.4850-2.1150
Monterey Jack 10#	:	1.7375-2.1150
Blue 5#	:	1.8650-2.2700
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4175-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9000-2.6850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	DECEMBER 16 - 20, 2002
BARRELS*	:	\$1.1050 - 1.1150 (NOMINAL)
	:	(-\$0.0075) (-.0075)
40# BLOCKS	:	\$1.1300 - 1.1625 (NOMINAL)
	:	(-\$0.0350) (-.0275)

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

Dairy Market News is proposing discontinuing the Midwest Commodity Cheese report in January. This proposal is due to the limited real spot reports available within the region and the price fluctuation limitations caused by the large growth in Western cheddar production. For comments in opposition to the ending of this report contact: George Koerner at 608.224.5083 or email George.Koerner@USDA.gov

WEST

Natural and process prices weakened this week after CME cash prices settled last week under the current support price again. Most trade sources are stating that buyers have covered most of their year end needs and are only concerned about late fill in purchases. They are stating that interest "wasn't too bad for the way the economy is". Manufacturing plants are somewhat concerned about the amount of cheese that will produced over the next few weeks. Most feel that stocks will be heavier than desired at the end of the year. With milk supplies remaining heavier than necessary, many are wondering about future price strength in the cheese markets. The first heavy winter storms of the season may put a crimp in Western milk production in the short run. The heavy winds and flooding will cause some problems on dairy farms in the northern half of California and other areas of the West.

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

Process 5# Loaf	:	1.2500-1.5100
Cheddar 40# Block	:	1.2425-1.3825
Cheddar 10# Cuts	:	1.4225-1.6425
Monterey Jack 10#	:	1.4325-1.5925
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Prices are steady to lower and the market tone is seasonally firm. Demand for imported and/or domestically made table cheeses is at or near its seasonal peak. Importers are a little slower now that most of this year's cheese has been imported, but they are active in getting their cheese out to distributors or retailers. Typically, demand for foreign cheese peaks during the holiday period. Most distributors are quite active as they work to get last minute orders filled. Most expect to be down several days during the next two weeks.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	: DOMESTIC
Roquefort	:	TFEWR	: -0-
Blue	:	2.6400-3.3900	: 1.4700-2.9600*
Gorgonzola	:	3.2400-5.9400	: 1.9875-2.4900*
Parmesan (Italy)	:	TFEWR	: 2.8800-2.9700*
Romano (Italy)	:	2.1000-3.1900	: -0-
Provolone (Italy)	:	3.4400-5.5000	: 1.4775-1.7050*
Romano (Cows Milk)	:	-0-	: 2.6675-4.8375*
Sardo Romano (Argentina)	:	2.8500-3.2900	: -0-
Reggianito (Argentina)	:	2.6900-3.2900	: -0-
Jarlsberg-(Brand)	:	2.7500-3.6900	: -0-
Swiss Cuts Switzerland	:	-0-	: 2.3500-2.5500
Swiss Cuts Finnish	:	2.6000-2.8500	: -0-
Swiss Cuts Austrian	:	TFEWR	: -0-
Edam	:	:	:
2 Pound	:	TFEWR	: -0-
4 Pound	:	2.1900-2.9900	: -0-
Gouda, Large	:	TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:	:
10 Ounce	:	27.8000-31.7000	: -0-

* = Price change.

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

	BUTTER	:	CHEESE
12/16/02	45,271	:	129,031
12/01/02	47,383	:	130,462
CHANGE	-2,112	:	-1,431
% CHANGE	-4	:	-1

FLUID MILK AND CREAM

E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	51	0	30	0	23	0
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, November 2002 uniform prices: Northeast \$12.31 Mideast \$11.17, Southeast \$12.84, Florida \$14.32, and Western New York (a state order) \$11.86 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During November, milk production in the 20 major states totaled 11.70 billion pounds, up 1.8% from November 2001. The following are the November-to-November changes for selected states: Texas +4.8%, New York +0.1%, Pennsylvania -0.8%, Vermont -1.4%, Virginia -2.0%, Florida -2.8%, and Kentucky -8.4%. Milk production is mixed. The storms each of the last two weeks have taken their toll on milk output. Increases seen prior to the storms have turned to slight decreases. This is particularly evident in Virginia, North Carolina and other Mid-Atlantic states. Milk production is increasing in other Southeastern states and about steady in the Northeast. Fluid milk supplies continue to be reported as tight. This is surprising to some contacts who expected to see slower sales and more surplus milk. So far this week, this is not the case. Most milk suppliers and bottlers indicate very good Class I milk sales. However, school lunch needs will drop to almost nothing late this week. Bottlers hope that retail sales during the holidays will offset a good portion of the lost school lunch sales. Florida's bottled milk demand has been very good and milk handlers are still importing milk from the Mid-Atlantic area. Surplus milk volumes have been light, but most plant contacts expect to be running heavy this time next week. Contacts state that, from a plant processing point of view, it is good that Christmas and New Years fall on Wednesday. In fact, many bottlers already use Wednesday as one of their "down days" each week. The condensed skim market is about steady. Volumes are increasing slightly, but producers seem to prefer selling wet solids rather than dry them. Prices are unchanged, but as offerings increase, seller may be forced to be more competitive or have to dry it. The fluid cream market is mixed. Demand is still quite good for some suppliers, sharply slower for others. There are some ice cream plants that have already closed for the holidays, while others continue to operate through the weekend. There is more extra cream trying to clear the market and that should be the case all through the holiday period. Cream cheese makers have been taking some extra loads. Eggnog production is drawing to a close. Some plants expect to make their last batch late this week while other may make a little sometime next week. Production of bottled cream, dips, and sour cream are all holding at fairly good levels. In recent years, it is more common for these items to have good sales/consumption well into January. Spot prices are steady to lower this week. As cream volumes increase, multiples have eased, but the CME weekly average did increase fractionally. Churning is starting to increase and excess cream continues to clear to local and Midwestern butter makers.

are reportedly taking no more milk since they are fully committed. With the holidays at midweek, most bottlers will be operating on school closed (reduced) schedules for about 2 full weeks. Most, if not all, ice cream manufacturers are also taking a year end break of about 2 weeks. A few plant breakdowns/problems this week have caused some milk to backup before the holidays. Cream demand is already lighter and larger volumes are heading to churners. Condensed skim interest is lighter and prices range from \$.90 - 1.02, depending on class. Rather than dry skim, some additional volumes of condensed are being produced and used rather than powder in manufacturing plants. Milk intakes are generally higher from recent weeks. Estimated November 2002 milk production in selected Midwestern states compared with November 2001 is: Wisconsin 1.76 billion pounds, up 13 million pounds (0.7%); Minnesota 648 million pounds, off 35 million pounds (-5.1%); Michigan 485 million pounds, up 11 million pounds (2.3%), and Iowa 306 million pounds, unchanged. Unseasonably warm temperatures (50's) in parts of Wisconsin and Michigan along with high winds and tornados in Missouri caused some problems.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 38.00	\$ 33.00- 38.50
REPLACEMENT HEIFER CALVES	\$200.00-430.00	\$450.00-580.00

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

	DEC 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 39.75	\$ 32.50- 44.00

W E S T

Milk output in the 20 surveyed states totaled 11.7 billion pounds in November, an increase of 1.8% from a year earlier. Output was up in all five Western states and cow numbers increased 109,000 head from a year earlier. Output per cow is trailing the U.S. average in most Western states. Reduced feeding programs related to very low milk prices are catching most of the blame for less production per cow growth. CALIFORNIA milk production is reported as mostly steady this week. Heavy rains started late last week and continued into this week. Amounts were heaviest in the northern milk producing areas and around Sacramento. Accompanying high winds also created havoc on milk cow comfort. The milk flow is holding mostly steady in the Central Valley. The rains were not enough to affect conditions, especially with many cows being under the cover of free stall facilities. The impact may be felt more in the South, where more lots are not covered. Additional rain is forecast and expected to factor into milk output in the near future. Conditions are cooling, which will amplify the affects of the wet weather. Processors are expected to readily handle all milk over the next two holiday interrupted weeks. Already, bottlers are cutting orders as schools begin vacations and demand slows. Surplus milk is being sold and will sometimes have to move further than normal, but should remain in the state. Arizona milk production is holding mostly steady after showing several weeks of slight growth. Wet and cooler weather conditions are also impacting the milking herds locally. The rains are expected to continue later this week. Milk is expected to be handled over the holiday weeks with some room left to help other nearby areas. New Mexico milk is moving slightly higher on a weekly basis. Conditions have been seasonally mild and rains have only been minor. Milk supplies are expected to be handled through normal channels over the holidays. More surplus milk is moving to balancing plants as bottling orders are lower. Western CREAM multiples are lower in the 105 to 127 range, FOB, and reflect increasing offerings and lower demand. In-state, California cream sales are reported to be as low as a few cents over class pricing. More cream is expected to be offered over the next two weeks as many buyers' plants are down or running on abbreviated schedules. Churning of surplus cream will be active. The butter price at the CME is holding mostly steady and stood at \$1.1125 at midweek (12/18). Early winter storms have been common over the PACIFIC NORTHWEST since last week. Heavy rains, high winds, and good snow falls are beginning to help alleviate current dry conditions. Contacts are expecting that the milk flow will be adversely impacted in the near future. Muddy feed lots and higher feed use to maintain body condition will tend to reduce milk production. Hay quality on current offerings is declining, but stocks are readily available. Average heifer prices continue to move in a narrow range of \$1450-1550. Some producers are out looking for additional heifers to keep stalls full. Rain and cooling temperatures are noted over UTAH and IDAHO. Milk supplies are noted to be a bit heavier than anticipated and most plants are expecting to be full the next two weeks.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3996-1.5107
DELIVERED EQUIVALENT ATLANTA	-	1.4218-1.5329 M 1.4440-1.4774
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3107-1.4996

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9850-1.0300
NORTHEAST- CLASS III - SPOT PRICES	- .8050-.8900

M I D W E S T

Class I milk use is spotty, though trending lower, despite some retail feature activity. Production of many holiday items has started to ease as retail orders have been filled. Overall manufacturing schedules were heavier already this week but not to the pace expected during the next two holiday weeks. Finding manufacturing space is becoming a bigger issue for milk handlers as capacity for additional volumes is becoming increasingly scarce as the yearend holiday period nears. Offers for surplus milk are mostly under class during the holiday period. Some plant operators

NDM, BUTTERMILK & WHOLE MILK

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

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a weak market. Sales to the CCC are again noted in the Central region. Buying interest is nominal, especially as more price attractive supplies are readily available from the West. Some Central producers are adjusting current contractual prices to compensate for the price disparity that is developing from the change in the tilt. Production is increasing with heavier output anticipated over the holidays. Some offering prices are reported at a discount to the market. Contract negotiations for 2003 are progressing slowly as buyers are opting to wait and see where prices settle before making any commitments. Sales of CCC NDM supplies to the industry are anticipated to encourage NDM movement after the New Year. High heat product is clearing steadily on a contractual basis.

EAST: Prices are steady to lower and the market tone is showing more signs of weakness. Eastern prices are nominal as few spot sales have been reported. Eastern producers are often quoting lower prices for January sales, but so far this has not generated much new demand. Also, the national marketing agency for NDM has altered their pricing plan for January. Current output is only slightly higher, but most Eastern producers expect surplus milk volumes to start increasing late this week. Eastern producers continue to report light inventories and most welcome the prospect of increased output. Demand for NDM is slow as buyers/ users try to use up current supplies before the end of the year.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .8000 - .9850 MOSTLY: .8900 - .9675
 HIGHHEAT: .9725 - 1.0400

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices are slightly lower on the top end of the range and are trending lower within the currently, very wide mostly range. The mostly range is wide because of transactions reported for support sales on the bottom end and spot sales on the top end and in between. Drying schedules are often higher in the region with demand for milk lower into other avenues. Production is expected to be very heavy over the next two weeks. Spot demand is fair for the current market as some buyers are short of NDM and having to buy. Sales and shipments are expected to be lower through the end of the year as trucking, holiday shutdowns and inventory control, factor into buying decisions. Contract sales are moving for DEIP and other commitments. Surplus NDM continues to clear to the CCC. During the week of December 9-13, CCC net purchases totaled 6,944,834 pounds of Western NDM. High heat NDM prices are lower on the bottom of the range this week. Buying interest is mixed, but some additional demand is noted from bakery accounts. Stocks are available for current trade needs.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUMHEAT: .7950 - .9475 MOSTLY: .8000 - .9200
 HIGHHEAT: .8800 - .9700

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
December 13	\$.8584	12,401,155	7,653,664
December 6	\$.8942	10,931,025	4,415,902

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a cautiously steady market. Production is generally increasing in response to greater seasonal churn activity and heavier condensed supplies from reduced ice cream production schedules. Interest is generally light as would be expected at the year end. Some contract negotiations are being made for January within the range as buyers want to secure supplies for the month yet not contract out any further due to the ambiguity of the market. Inventories are mostly in balance and building.

F.O.B. CENTRAL: .8000 - .8500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Eastern prices remain nominal as few spot sales are reported. Production levels are steady this week, but butter/powder plant contacts expect heavy churning over the next two weeks. Currently, drying is light to moderate and producer stocks are fairly well balanced. Spot demand is slow at best.

F.O.B. NORTHEAST: .7800 - .8350
 DELVD SOUTHEAST: .8100 - .8550

DRY BUTTERMILK - WEST

Buttermilk powder prices are showing slight declines in limited trading. The tone is more unsettled as buyers are resisting higher prices. Producers' offerings are not moving well currently. Part of the problem is that many buyers' plants are shutting down for at least part of the end of year holidays. Drying of buttermilk is moderately active and expected to be higher as more churning occurs over the holiday weeks. Stocks are ample to long for current needs and are expected to build in the next few weeks.

F.O.B. WEST: .7500 - .7800 MOSTLY: .7700 - .7800

DRY WHOLE MILK - NATIONAL

Prices are steady to lower within the range. The market tone is unchanged and prices remain nominal. Production is steady, but may decrease in the coming weeks when more skim is dried. Producer stocks are closely balanced. Spot demand remains limited.

F.O.B. PRODUCING PLANT: 1.1000 - 1.1800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH DECEMBER 13, 2002
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	42,626 MT (93,973,279 LBS)*
CHEESE	--	1,894 MT (4,175,512 LBS)*

* The second stage of the DEIP allocations is filled.

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. However, the second stage of this year's program was announced on November 15 and makes available, as part of the total allocation, an additional 25,576 MT of NDM, 7,912 MT of butterfat, and 1,137 MT of cheese.

WHEY, CASEIN & EVAPORATED MILK

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

DRY WHEY - CENTRAL

Prices are lower on a weak market. Large block sales are noted at the lower end of the range into brokerage facilities and export markets. As a result, some plants are in better balance. However, at other locations, stocks are generally heavy and building. Domestic interest is improving at the lower prices yet many buyers are resisting additional purchases in order to clear stocks on hand before the year end. Contracts for 2003 continue to progress slowly with some buyers opting to purchase on a spot basis instead of contracting. Some buyers committed to contracts are requesting a renegotiation based on current market trends. The undertone into 2003 is uncertain.

F.O.B. CENTRAL: .1650 - .1900 MOSTLY: .1750 - .1800

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to ease lower and the Eastern prices remain nominal. The market tone is weak. There is little buyer interest, which may be due to year-end supply considerations and/or the current price trend. Spot buyers are waiting to see how far prices will drop. Production levels are steady to higher and more Eastern producers have product to offer. Resellers also report little market activity again this week. Most feel that the market is typical for late December and may continue in this pattern until early or mid-January when spot buyers usually reenter the market.

NOTICE: The number of producers of Grade A whey in the East has fallen below the Dairy Market News requirements to report a price range. Therefore, beginning with report Number 1 for 2003, the Extra Grade and Grade A dry whey prices will be combined into one series.

F.O.B. NORTHEAST: EXTRA GRADE .1900 - .1950
 USPH GRADE A .1975 - .2100
 DELVD SOUTHEAST: .1950 - .2175

DRY WHEY - WEST

Some slowing of the market is noted this week for Western whey powder. A few sellers are finding that their inventories are building and they are reducing prices to keep product moving. Other manufacturers remain in a balanced position. Export sales continue, but shipments will slow because of end of the year shipping problems. Current production levels are somewhat higher than anticipated. Output will likely increase further as more surplus milk becomes available for processing due to the end of the year holidays. The occasional load of Central States powder is finding its way out to the West because of the wide, inverted price spread.

NONHYGROSCOPIC: .1800 - .2400 MOSTLY: .2050 - .2275

ANIMAL FEED WHEY - CENTRAL

Prices continue lower on milk replacer and roller ground and unchanged on delactose. Interest in milk replacer is generally good, especially as prices trend lower. Although supplies of roller ground are tight at some locations, prices continue to adjust with the Extra Grade whey market. Delactose movement is good into the edible process cheese market and fair into the feed sector. Production of delactose is generally steady. Early weaned pigs are trading higher while veal interest is nominal.

NOTICE: The delactose report will be discontinued as of report 1 2003.

F.O.B. CENTRAL: MILK REPLACER: .1500 - .1600
 ROLLER GROUND: .1750 - .2050
 DELACTOSE (Min. 20% protein): .3225 - .3500

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. Some plants are receiving increased inquiries due to anticipated shortages of 34% WPC in 2003 as more plants convert to 80% WPC production. However, trading is generally occurring at the average for the fair interest. Some producers are opting to contract less in 2003 as market trends are anticipated to be more price advantageous for sellers. Production is generally steady with some increases anticipated over the holidays. Inventories are in balance to somewhat heavier than the week prior. Availability is best in the West. Export movement is mostly contractual. Import contracts of New Zealand 80% are displacing 34% WPC into some feed facilities. Off grade 34% and 80% is readily available at prices that vary with the quality.

F.O.B. EXTRA GRADE 34% PROTEIN: .5100 - .5425 MOSTLY: .5100 - .5150

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady market. Contracts continue to be finalized for the first quarter at steady to higher prices. Production is unchanged to higher as more milk is processed over the holidays. Strong interest is noted into New Zealand for standardization. Interest is also strong from Asia as buyers hope to obtain supplies before the Chinese New Year. However, contracts into Japan are slow to develop. Food grade containers are sometimes difficult to find for export shipment, discouraging movement. Demand is best on the higher mesh sizes. Feed grade trades are nominal, especially in light of lower whey prices which may deter future price increases in the lactose market.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
 F.O.B. EDIBLE: .1500 - .2275 MOSTLY: .1550 - .1750

CASEIN - NATIONAL

Casein prices are unchanged, although the market undertone is firm. Stocks of acid casein are quite limited with rennet in better balance. Casein production in Europe was lighter than anticipated in November and plants are closing for the season. In the Oceania region, milk production is not developing as positively as projected, thus casein production schedules and available supplies are unclear. Domestic buyers are fully aware of world supplies, thus many buyers are taking advantage of all offerings at this time.

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

RENNET: 1.8500 - 2.1000
 ACID: 1.6500 - 1.9500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are mostly steady. However, producers are gearing up for the expected increase in surplus milk volumes in the coming weeks. This time of year is good for those producers who rely on the spot market to purchase milk. Reportedly, some below-class-price milk has already been booked into some evaporated milk plants. Most producers hope to partially replenish their depleted inventories. Shipments at the producer level have slowed.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00
 Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	12/04	12/05	12/06	12/09	12/10	12/11	12/12	12/13	12/16	12/17
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
DEC 02	10.00 (2183) 47	9.97 (2182) 17	9.88 (2180) 6	9.88 (2111) 94	9.83 (2043) 85	9.80 (2024) 58	9.78 (1984) 49	9.79 (1939) 67	9.76 (1929) 17	9.76 (1927) 0
JAN 03	10.58 (1863) 20	10.45 (1895) 66	10.35 (1897) 43	10.25 (1932) 126	10.12 (1914) 144	10.04 (1905) 41	10.12 (1910) 10	10.12 (1803) 8	10.08 (1833) 64	10.00 (1850) 25
FEB 03	10.81 (1471) 19	10.70 (1469) 46	10.60 (1409) 102	10.50 (1411) 42	10.45 (1356) 97	10.40 (1386) 67	10.45 (1388) 23	10.48 (1417) 44	10.44 (1435) 84	10.33 (1445) 72
MAR 03	11.20 (1431) 11	11.14 (1441) 27	11.07 (1461) 44	10.95 (1431) 70	10.90 (1454) 40	10.90 (1440) 83	10.93 (1433) 21	10.96 (1436) 10	10.94 (1467) 106	10.75 (1472) 35
APR 03	11.48 (1103) 17	11.45 (1129) 62	11.43 (1141) 21	11.40 (1144) 24	11.35 (1156) 29	11.40 (1191) 52	11.47 (1202) 20	11.45 (1203) 10	11.41 (1208) 143	11.18 (1235) 61
MAY 03	11.78 (1103) 20	11.72 (1133) 39	11.71 (1159) 46	11.70 (1165) 20	11.68 (1173) 33	11.68 (1178) 21	11.75 (1182) 28	11.78 (1189) 37	11.75 (1215) 70	11.60 (1226) 55
JUN 03	12.15 (975) 9	12.12 (993) 17	12.12 (1013) 28	12.11 (1021) 14	12.15 (1039) 48	12.15 (1069) 45	12.25 (1069) 14	12.30 (1086) 29	12.25 (1101) 63	12.18 (1110) 41
JUL 03	12.74 (929) 50	12.70 (935) 22	12.67 (949) 14	12.68 (951) 10	12.70 (969) 31	12.70 (978) 23	12.75 (992) 19	12.79 (1003) 27	12.76 (1025) 63	12.65 (1034) 37
AUG 03	12.83 (833) 26	12.80 (870) 51	12.80 (887) 21	12.80 (892) 7	12.89 (903) 35	12.89 (923) 39	12.95 (938) 30	12.98 (954) 42	12.97 (984) 63	12.94 (998) 39
SEP 03	13.26 (944) 17	13.20 (963) 56	13.17 (977) 40	13.25 (984) 24	13.30 (1028) 56	13.31 (1056) 28	13.35 (1052) 24	13.38 (1066) 25	13.36 (1100) 78	13.31 (1141) 45
OCT 03	12.78 (747) 6	12.72 (762) 20	12.66 (770) 21	12.66 (768) 8	12.70 (782) 35	12.69 (785) 15	12.70 (785) 12	12.70 (788) 15	12.69 (818) 64	12.65 (833) 35
NOV 03	12.48 (583) 13	12.45 (592) 17	12.42 (606) 23	12.45 (606) 9	12.45 (617) 27	12.43 (623) 7	12.43 (641) 34	12.43 (641) 8	12.40 (650) 44	12.35 (668) 33
DEC 03	11.85 (440) 4	11.80 (452) 13	11.80 (460) 17	11.81 (457) 9	11.85 (469) 26	11.85 (473) 6	11.85 (471) 12	11.85 (471) 3	11.83 (490) 40	11.80 (506) 30
JAN 04	11.60 (9) 0	11.60 (9) 0	11.58 (9) 0	11.58 (10) 1	11.50 (10) 0	11.50 (10) 0	11.50 (15) 5	11.45 (15) 0	11.45 (15) 0	11.45 (15) 0
FEB 04	11.50 (8) 0	11.47 (8) 0	11.47 (8) 0	11.47 (8) 0	11.47 (8) 0	11.47 (8) 0	11.47 (14) 6	11.50 (14) 0	11.50 (14) 0	11.50 (14) 0
MAR 04	11.35 (2) 0	11.35 (2) 0	11.35 (2) 0	11.35 (2) 0	11.35 (2) 0	11.35 (2) 0	11.35 (7) 10	11.35 (7) 0	11.35 (7) 0	11.35 (7) 0
APR 04	11.16 (1) 0	11.16 (1) 0	11.16 (1) 0	11.16 (1) 0	11.16 (1) 0	11.20 (1) 0	11.20 (6) 6	11.20 (6) 0	11.20 (6) 0	11.20 (6) 0

CME - CLASS IV MILK FUTURES - Dollars per cwt.

DEC 02	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0	10.55 (132) 0
JAN 03	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0	10.50 (59) 0
FEB 03	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0	10.55 (38) 0
MAR 03	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0	10.50 (22) 0
APR 03	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0	10.80 (12) 0
MAY 03	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0	10.90 (7) 0
JUN 03	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0	11.00 (4) 0
JUL 03	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0	11.30 (1) 0

CME - BUTTER FUTURES -- Cents per pound

DEC 02	111.00 (279) 7	111.00 (279) 7	110.50 (275) 30	111.00 (89) 5	111.00 (67) 12	109.87 (45) 16	111.50 (43) 0	111.50 (53) 20	112.00 (46) 4	112.00 (37) 3
MAR 03	122.00 (343) 8	122.75 (343) 0	122.50 (345) 12	122.00 (346) 2	121.75 (346) 0	121.75 (349) 4	121.75 (351) 2	121.50 (352) 3	122.50 (352) 0	122.50 (347) 13
MAY 03	125.00 (206) 12	125.75 (206) 0	125.75 (206) 0	125.75 (206) 0	125.00 (206) 0	125.00 (206) 0	124.75 (210) 4	124.75 (216) 10	125.00 (216) 0	125.00 (217) 1
JUL 03	128.00 (101) 10	128.50 (102) 1	128.00 (104) 13	128.00 (116) 12	128.00 (120) 10	127.77 (123) 4	127.75 (126) 3	128.00 (126) 0	128.00 (126) 0	128.00 (129) 13
SEP 03	130.00 (48) 0	130.00 (48) 0	130.00 (48) 0	130.00 (48) 0	130.00 (48) 1	130.50 (48) 0	130.50 (49) 1	131.00 (49) 1	131.50 (49) 0	131.50 (53) 4
OCT 03	131.00 (16) 0	131.00 (16) 0	131.00 (16) 0	131.00 (16) 0	131.00 (16) 1	131.50 (16) 0	131.50 (16) 0	131.50 (17) 1	132.00 (17) 0	132.00 (17) 0

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered November 25 - December 6, 2002

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

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production in Europe continues to edge lower seasonally. In many countries, the milk flow is reported to be trailing last year at this time, but in France and the UK, output is stronger. For those countries that are running above last year, producers will need to address their milk volumes as the end of the quota year nears. Within the past two weeks, the EU Management Committee again reduced export subsidies. This was the third adjustment for skim and whole milk powder in 3 consecutive weeks. These adjustments and the suspension of license applications are causing much unsettledness for buyers and traders. These two conditions are adding strength to European prices, but also are causing prices to near levels in the U.S. without DEIP assistance. European traders are fully aware of the supply potential in the states and are hopeful that they will be able to maintain a competitive position in international markets if prices do firm to those levels. At this point, European suppliers do have stocks available for international buyers and buyers are interested, but reluctant to enter into sales agreements with such price volatility. At this point, traders indicate that their hands are tied and are having difficulty proceeding forward until market conditions settle. The upcoming yearend holidays are also adding some unsettledness to the market, but for the most part, will have minimal impact.

BUTTER/BUTTEROIL: European butter markets are steady to firm. Prices are edging slightly higher. Stocks of butter are available for domestic and international buyer interest. Some international sales are being reported to customers that are unable to get full needs filled from regular sources. Russia is in the market for butterfat as the winter season approaches. European traders are unsure how active this demand will be as the winter season progresses.

82% BUTTERFAT: 1,200 - 1,350
99% BUTTERFAT: 1,400 - 1,450

SKIM MILK POWDER (SMP): Skim milk powder markets are firm with prices sharply higher. The recent three export subsidy reductions have quickly firmed European powder prices. Export refunds have been reduced from 760 euros to 440. Traders are very cautious as prices firm to near U.S. price levels without DEIP assistance. European skim powder stocks are available for buyer interest. International buying interest is occurring, although sales activity is very limited. Buyers are reluctant to purchase when specific prices are not being quoted at the time of the deal. Some powder has been sold back to the trade from intervention stocks.

1.25% BUTTERFAT: 1,650 - 1,785

WHOLE MILK POWDER (WMP): European whole milk powder markets and prices are firm. Prices have jumped sharply in recent weeks. Along with skim milk powder, whole milk powder export subsidy refunds have been reduced. Since November 29, whole milk powder refunds have been reduced from 1100 to 930 euros. This reduction is firming European prices very quickly. These adjustments have caused much price volatility for traders and buyers. Buyers want to maintain low prices while traders are responding to increasing prices from their suppliers. The bottom line is that little trading activity is occurring at this time, until prices and market conditions settle.

26% BUTTERFAT: 1,700 - 1,820

SWEET WHEY POWDER: Whey powder markets are generally steady at unchanged prices. Stocks of whey are available for buyer interest. European sources indicate that current prices appear to be in line with recent sales to a Far East tender, but no significant volumes were reported sold.

NONHYGROSCOPIC: 400 - 450

OVERVIEW: EASTERN EUROPE: Milk volumes in Eastern European countries are declining seasonally, although some countries are reporting that overall milk volumes are heavier than last year at this time. Stocks of manufactured dairy products vary. In most instances, producers and handlers are able to fill domestic or internal needs, with some countries reporting that stocks are available for sale. Russia is in the market for additional butter and cheese stocks as the winter season begins.

OCEANIA

OVERVIEW: Milk production patterns in the Oceania region continue to follow trends of recent weeks, although the outcome is not as positive. In New Zealand, season to date production figures indicate that milk output on the North Island is about steady with last year while on the South Island, milk production is running about 15% ahead of last season. Combining both islands, reports indicate that seasonal milk production is about 1.5% ahead of last year. Contacts feel that this increase may not be as strong by seasons end. In Australia, a recent report by the Australian Dairy Corporation indicated that milk output in that country is projected to be about 10.2 billion liters, a drop of 9.5% from last season. The 10.2 billion liter figure is in line with output during the 1998-99 production season. Much of the decline is occurring due to an 11% drop in milk output in the major producing state of Victoria. These milk production figures have manufacturers and handlers of dairy products closely monitoring their supply/demand situations. In many instances, pre-season sales were reported for a significant portion of the early season's production. Now some manufacturers and handlers are being very selective as they fill these orders. Contacts indicate that they continue to receive buyer interest that they are not acknowledging at this time, although later in the season, product might be available. Prices for most dairy products are steady to firm. A third export subsidy adjustment, in about as many weeks, in Europe for skim and whole milk powder is impacting Oceania prices.

BUTTER: Oceania butter markets and prices are steady, although a firmer undertone is developing. Milk production in the region is seasonally active, although often not at projected levels. Producers and handlers indicate that butter stocks are adequate for current needs with not significant volumes of uncommitted stocks available at this time. Orders are being filled from inventories and current production.

82% BUTTERFAT: 1,100 - 1,250

CHEDDAR CHEESE: Cheese markets are steady to firm. Most sales and deliveries continue to center around regular/ongoing buyer needs. Stocks of cheese are reported to be in balance with demand. Some manufacturers are indicating that milk is being directed towards cheese production rather than some other manufactured dairy products at this time.

39% MAXIMUM MOISTURE: 1,650 - 1,750

SKIM MILK POWDER (SMP): Skim milk powder markets and prices are generally steady, although the undertone is firm. Recent subsidy reductions in Europe are giving strength to Oceania prices and improved buyer interest for Oceania sourced stocks. In most instances, producers and handlers are disbursing their supplies to existing customers with new buyer interest basically going unfilled. Stocks of powder are in close balance. Milk production is not developing as positively as projected, thus available milk is being directed to products of most need.

1.25% BUTTERFAT: 1,500 - 1,650

WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to firm. Stocks are reported to be in close balance for existing orders. Producers and handlers are closely monitoring inventories and production schedules so as to most efficiently distribute and produce stocks for customer needs. Additional buyer interest continues to be reported, although most producers are reluctant to commit to new buyer interest.

26% BUTTERFAT: 1,500 - 1,675

Exchange rates for selected foreign currencies: December 16, 2002

.6406 Canadian Dollar	.0208 Indian Rupee
.2821 Argentina Peso	.5142 New Zealand Dollar
.0980 Mexican Peso	.5668 Australian Dollar
.2569 Polish Zloty	.0082 Japanese Yen
1.0229 Euro	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0980)= 10.2041. That is 1 US Dollar equals 10.2041 Mexican Pesos.

Source: "Wall Street Journal"

NOVEMBER MILK PRODUCTION

Milk production in the 20 major States during November totaled 11.7 billion pounds, up 1.8 percent from November 2001. October revised production, at 12.0 billion pounds, was up 2.1 percent from October 2001. The October revision represented a decrease of 26 million pounds or 0.2 percent from last month's preliminary production estimate.

Production per cow in the 20 major States averaged 1,501 pounds for November, 16 pounds above November 2001.

The number of cows on farms in the 20 major States was 7.79 million head, 54,000 head more than November 2001, and 1,000 head more than October 2002.

NOVEMBER 2002 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2001	2002	2001	2002	2001	2002	% CHANGE FROM 2001
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ ^{3/}	140	150	1,660	1,795	233	269	15.9
CA	1,614	1,670	1,685	1,700	2,720	2,839	4.4
FL	152	147	1,170	1,175	178	173	-2.8
ID	372	390	1,730	1,690	644	659	2.3
IL	115	115	1,375	1,420	158	163	3.2
IN	155	148	1,350	1,400	209	207	-1.0
IA	206	208	1,485	1,470	306	306	---
KY	125	120	1,050	1,000	131	120	-8.4
MI	301	301	1,575	1,610	474	485	2.3
MN	500	480	1,365	1,350	683	648	-5.1
MO	141	135	1,080	1,110	152	150	-1.3
NM	280	305	1,665	1,650	466	503	7.9
NY	674	675	1,430	1,430	964	965	0.1
OH	256	264	1,370	1,370	351	362	3.1
PA	596	591	1,460	1,460	870	863	-0.8
TX	312	309	1,275	1,350	398	417	4.8
VT	154	153	1,405	1,395	216	213	-1.4
VA	119	119	1,285	1,260	153	150	-2.0
WA	247	247	1,780	1,800	440	445	1.1
WI	1,280	1,266	1,365	1,390	1,747	1,760	0.7
20 STATE TOTAL	7,739	7,793	1,485	1,501	11,492	11,697	1.8

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

2/ Excludes milk sucked by calves.

3/ Preliminary revisions for Arizona indicate milk production at 250 million pounds for November 2001. This preliminary revision is not included in the 20-State total. Annual revisions will be published in February 2003.

SOURCE: "Milk Production," Da 1-1 (12-02), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, NOVEMBER

HIGHLIGHTS -- Handler reports of receipts and utilization under the Federal milk order system for November have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During November, about 9.9 billion pounds of milk were received from producers. This volume of milk is 1.2 percent below November 2001 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +0.1 percent.) About 3.9 billion pounds of producer milk were used in Class I products, 0.4 percent below the previous year. Calendar composition likely had a positive impact on milk used in Class I in 2002 as compared to 2001. The all-market average Class utilization percentages were; Class I = 40%, Class II = 9%, Class III = 45%, and Class IV = 6%. The weighted average statistical uniform price was \$11.49 per cwt., \$0.22 lower than last month, and \$2.70 lower than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF NOVEMBER 2002										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,970.8	1.7	930.1	0.5	47	17	30	6	12.31
Appalachian (Charlotte)	005	520.4	-0.1	372.7	-1.7	72	13	8	7	13.06
Southeast (Atlanta)	007	591.1	-7.9	399.5	-2.6	68	7	21	4	12.84
Florida (Tampa)	006	211.4	-6.2	191.2	-5.9	90	8	1	1	14.32
Mideast (Cleveland)	033 <u>3/</u>	1,320.8	-8.8	568.2	-0.6	43	11	42	4	11.17
Upper Midwest (Chicago)	030 <u>3/</u>	1,679.1	-4.9	351.6	0.8	21	2	75	2	10.43
Central (Kansas City)	032 <u>3/</u>	1,543.9	7.6	422.9	0.2	27	6	65	2	10.74
Southwest (Dallas)	126	738.2	3.2	343.9	-1.4	47	13	33	7	11.97
Arizona-Las Vegas (Phoenix)	131	235.3	1.1	81.2	-0.5	35	3	43	19	11.14
Western (Salt Lake City)	135 <u>3/</u>	434.8	-4.1	105.4	15.4	24	8	67	1	10.65
Pacific Northwest (Seattle)	124	608.4	1.3	182.3	-1.0	30	6	35	29	10.84
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	9,854.1	-1.2	3,949.1	-0.4	40	9	45	6	11.49

1/ Names in parentheses are the major city in the principal pricing point of the market. 2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5. 3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 230 million pounds of milk that normally would have been associated with these markets. In November 2001, the estimated not-pooled volume of milk was 95 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +0.1.

THE DAIRY SITUATION AND OUTLOOK

Dairy Price Recovery Distant Despite Adjustments - Fundamental adjustments to recent low dairy prices apparently have begun. Expansion in milk production is poised to slow, as fewer producers build new units and more farmers leave dairying. Meanwhile, dairy sales are showing some signs of recovery in response to lower prices and a little economic improvement. Most importantly, growth in cheese use is beginning to pick up.

Price recovery is not likely to come quickly. Although both supply and demand appear to be moving toward better balance, adjustments were slow to begin and give every indication of being quite gradual. Also, the large commercial stocks of milkfat built during 2002 will continue to overhang markets for several months. Unless the pace of changes accelerates quickly, recovery in dairy prices probably will be quite modest even through late 2003.

Milk Production Cresting - Increases in milk production from a year earlier probably have crested. Expansion in milk per cow has slackened compared with the recovering levels of a year earlier. If milk cow numbers merely remain on the generally flat track they have been on since June, increases from a year earlier will soon start to diminish. Even if rises in milk production start to ease, however, the rises in production are likely to stay substantial through 2003.

Growth in milk per cow has stayed below trend, although output has shown considerable recovery from the quite weak levels of 2001. Milk per cow during July-September rose at only a 1.8-percent annual rate from the 5-year average, similar to the first-half rate. Also, data for the 20 selected States indicated that September-October gains were significantly weaker than earlier. Increases in milk per cow have continued to be erratic in addition to somewhat small.

Lower milk prices and higher prices of concentrate feeds dropped milk-feed price ratios sharply this summer, following very high ratios through 2001 and into early 2002. The milk-feed price ratio does not have as strong an impact on milk per cow as formerly, but producers are likely to be relatively conservative about the concentrate level in their rations. Although projected grain and oilseed prices are a little lower than earlier, concentrate feed prices in 2003 are still expected to be the highest in 5 years. In addition, prospects for the cottonseed crop are not good.

Variability in milk per cow probably resulted from uneven quality forage and abnormal culling in response to the shortage of replacement heifers since late 2001. Recent price patterns for replacement heifers indicate that more normal conditions are returning to heifer markets, although some effects on milk per cow might persist for a little longer. Variability due to forage quality likely will continue. Except for the West, most dairy areas had some good and some poor hay and silage this year. Also, commercial hay supplies from Plains producers were reduced considerably this year, limiting dairy farmers' ability to replace their poorer hay with market purchases.

Milk per cow is projected to rise about 2 percent in 2003, particularly if milk-feed relationships improve as expected as the year progresses. Even so, growth may be somewhat uneven as farmers shift from one batch of forage to the next. In addition, output per cow might be particularly vulnerable next spring. In some past springs, following growing seasons similar to those of 2002, supplies of acceptable forage simply ran out before the new season forage became available, causing a sudden plunge in milk per cow.

Generally strong returns prior to 2002 have boosted milk cow numbers somewhat longer than earlier expected. A wave of new or greatly expanded farms came into production this summer. Meanwhile, exit from dairying has yet to accelerate in spite of sharply lower returns. Weaker farms had more survival cushion than normal after previous years' returns and an incentive to continue milking long enough to receive at least the transition period direct payment. However, these farms are under considerable income pressure. Returns over concentrate costs will average less in 2002 than at any time since 1991, and further reductions are expected in 2003.

Milk cow numbers are projected to begin slipping soon and might even be below a year earlier by late winter. However, precipitous declines are not likely. Lower returns will slow, but not prevent, further development of new-style dairy farms. Expansions of existing farms may even be relatively common as smaller producers jump to competitive size. Exits will pick up. Family incomes on many smaller dairy farms will not be competitive with alternatives. However, exits probably will not have a major impact until the second half of 2003. For the year, milk cow numbers are projected to decline about 1 percent.

Increases in milk production are expected to persist throughout 2003. By late in the year, declines in cow numbers could be the sharpest seen in several years. However, milk per cow could be posting significant recovery during the second half, if favorable crop developments lead to lower concentrate prices and more ample supplies of good hay.

Use Coming Back (A Bit) - Recovering cheese demand in late summer-early autumn started to pull milk into cheese and away from butter and nonfat dry milk. By October, production of most types of cheese other than Cheddar was well above a year earlier, while output of butter and nonfat dry milk was down considerably. Earlier in 2002, cheesemakers had restrained output to avoid building cumbersome stocks and let the milk go to butter-powder plants. While the excess nonfat dry milk was drained away by price support sales to the Government, the extra butter piled up in commercial stocks and probably will continue to plague milkfat markets for several months.

Data for production of Mozzarella cheese during January-September were revised from 1 percent below to 3 percent above a year earlier. This revision significantly alters the story of 2002 dairy demand. Although the pizza market definitely began to weaken in mid-2001, slowing was to the modest growth normally expected during periods of mild economic weakness--not to stagnation.

Expected continued recovery in cheese demand, still-huge butter stocks, and the lowered support purchase price for nonfat dry milk likely will make it easy for cheese plants to draw away milk this winter. Cheese output is expected to run well above a year earlier, with some decline in butter-powder production likely. However, substantial correction of recent price-depressing conditions will hinge on extended brisk recovery in cheese demand.

Demand for dairy products is expected to grow in 2003, but recovery may not be particularly brisk. Although the recent period of economic slowing was relatively mild, a number of struggling sectors and the effects of wealth lost because of stock market declines have resulted in a ragged and gradual rebound. Robust expansion in dairy demand is not expected until at least late in 2003. Even so, recent disappearance data clearly point to a general pick-up in demand.

Commercial stocks of milkfat were still very large on November 1, mostly because of huge butter holdings. Commercial inventories stood at 10 billion pounds, milk equivalent, milkfat basis on November 1, up almost a fourth from a year earlier. However, the November 1 stocks had dropped substantially from the August 1 seasonal peak. On the other hand, relatively lean manufacturers' stocks of nonfat dry milk left commercial stocks of skim solids fairly modest. The 8.2 billion pounds, milk equivalent, skim solids basis on November 1 was only slightly larger than a year earlier and smaller than 2 years earlier.

November commercial cheese stocks probably were a little larger than needed but not badly so. Inventories were less than a tenth larger than a year earlier and similar to 2 years earlier. Butter remained the problem. Holdings were up more than half from last year's record for the date. Retailers did some aggressive price specialing of butter in early autumn but not enough to bring butter stocks into line. Specials reportedly were more common during the holiday season and may have been more effective at reducing commercial stocks.

Little Improvement in International Dairy Markets - International dairy prices this autumn have shown some seasonal life after being very weak during most of 2002. In early December, prices of butter and milk powders were up more than \$200 per ton from the spring lows. Dry milk powders have responded mostly to diminished supply prospects as unfavorable weather has struck Oceania. Import demand has been a little more active than earlier in the year but remains relatively unaggressive. Buying might become more aggressive if production in the second half of the Southern Hemisphere season proves as weak as the first.

Russian butter demand has picked a bit this autumn. Some Ukrainian exports reportedly have been drawn into Central Asia, leaving Russia to import more from Western Europe. With Oceania butter supplies relatively limited and seasonal contraction in Northern Hemisphere export supplies, the added Russian demand has boosted prices. However, the recent price strength is not likely to persist unless Oceania conditions turn much worse.

With international market prices off even more than domestic prices, imports of most dairy products have been considerably larger than a year earlier. January-October cheese imports probably were up more than a tenth from a year earlier. Over-tariff-rate-quota (TRQ) imports have been much larger this year, particularly of American types other than Cheddar. However, over-TRQ imports account for only half of the overall increase in cheese imports. Imports within TRQ and nonquota cheese imports also have been considerably larger. Imports of concentrated milk proteins during January-September were almost unchanged, with a sizable increase in imports of milk protein concentrate being offset by a drop in casein imports.

Imports of milkfat fell during January-October. The much softer domestic markets stanching over-TRQ imports of butter and butteroil, a sharp contrast with a year earlier. Cream imports also were much smaller.

Exports of nonfat dry milk under the Dairy Export Incentive Program (DEIP) in 2002 will be larger than most recent years. New DEIP

contracts were not accepted during the middle quarters of 2001 because subsidies were not needed to export. As a result, most of the DEIP exports for the 2001/02 commitment year were shipped in calendar 2002, along with a significant share of the total for the current commitment year. Commercial exports have been mostly similar to a year earlier, except for the collapse in unsubsidized powder exports.

Weakness Persists in Dairy Prices - Wholesale prices of cheese and butter have been unable to sustain much real seasonal strength this autumn. Although cheese and butter movement has picked up, current production remained relatively heavy and stocks were ample. In addition, traders were receiving conflicting signals as to the soundness of the recovery in demand. In early December, cheese prices on the Chicago Mercantile Exchange were only 5-10 cents above the summer low, while butter prices were up about 18 cents. Prices of both products were well below those of a year earlier.

Nonfat dry milk prices averaged a little higher this autumn, even though price support sales to the Government continued steadily. Seasonally low production was aggravated by diversion of milk from butter-powder to cheese plants. Supplies of fresh powder were tight enough to allow the reemergence of some price premiums, particularly outside the West. By early December, prices had not yet fallen to the new support purchase price.

Cheese and butter prices may remain rather confused this winter. Recovering demand and easing growth in milk production will help offset normal seasonal price softness. However, these may well be gradual and irregular developments that fail to provide clear direction for prices. In addition, butter stocks probably will continue to have a depressing effect on milkfat prices through most of winter.

Autumn signs of life in nonfat dry milk prices are likely to be transitory, and prices are likely to settle near the new support purchase price for the first half of 2003. Even if cheese production starts to pull away substantial amounts of milk, price support purchases are expected to stay large. However, use should be showing some positive response to lower prices, and powder markets should be moving back towards better balance.

The failure of wholesale manufactured product prices to generate any real seasonal strength left farm milk prices quite weak in late 2002, with farmers receiving the lowest October-December average milk price since 1978. For the year, all milk prices will average almost \$3 per cwt below 2001's strong \$15.

Milk prices are projected to stay weak during the first half of 2003, even lower than the early 2002 prices. Expansion in milk production probably will still be substantial, and demand likely will not have recovered enough to overcome the still-swollen stocks and seasonal weakness. Markets are projected to tighten during the second half of 2003. However, changes in production or use would have to accelerate significantly from their expected first-half pattern to produce robust seasonal price rises. Such acceleration is a distinct possibility for either supply or demand but is not considered probable. Average milk prices for 2003 are projected to average slightly below 2002.

The Milk Income Loss Contracts (MILC) will add about \$1.20 to the average 2002 milk price of the smaller producers who receive payment on all their milk marketings. For these farmers, the MILC payments will offset more than 40 percent of the drop in market prices. The payment rate would increase somewhat in 2003 if prices are as low as expected.

Retail prices of dairy products have drifted generally lower since the November 2001 peak and were more than 2 percent below a year earlier by October. Retail prices in recent years have been considerably more stable than wholesale or farm prices, resulting in shrinking and swelling of the farm-retail price spread. The spread will be about a tenth larger this year, following a significant decrease in 2001. For all of 2002, retail prices will average fractionally higher than in 2001 and up almost 5 percent from 2 years earlier, when farm prices were close to this year's.

In 2003, retail dairy prices are expected to be about the same. A small decrease in farm prices is projected to be about offset by a small increase in the farm-retail price spread. Retail prices have less relevance to commercial use than formerly because the retail share of total use has fallen to only about half.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-102, December 13, 2002, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF DECEMBER 16 - 20, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 12/13/02	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	296,019	-0-	296,019	296,019	-0-	-0-	-0-
Process	2,296,800	-0-	2,296,800	4,197,600	-0-	-0-	-0-
TOTAL	2,592,819	-0-	2,592,819	4,837,333	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	8,991,128	2,231,305	6,759,823	90,666,310	58,904,593	1,049,360,000	639,046,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	38,227,000
TOTAL	8,991,128	2,231,305	6,759,823	90,666,310	58,904,593	1,095,751,000	677,273,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF DECEMBER 16 - 20, 2002 =	25.4	104.4	COMPARABLE PERIOD IN 2001 =	1.6	83.1
CUMULATIVE SINCE OCTOBER 1, 2002 =	64.6	1,103.2	CUMULATIVE SAME PERIOD LAST YEAR =	13.0	685.6
CUMULATIVE JANUARY 1 - DECEMBER 20, 2002 =	259.2	7,882.9	COMPARABLE CALENDAR YEAR 2001 =	86.4	3,955.9

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF DECEMBER 16 - 20, 2002 (POUNDS)

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED	
MIDWEST	-0-	-0-	-0-	-0-	-0-	2,296,800	374,782	-0-	
WEST	-0-	-0-	-0-	-0-	296,019	-0-	6,385,041	-0-	
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
MIDWEST	-0-	-0-	4,197,600	-0-	1,015,166	-0-	60.3	40.5
WEST	-0-	-0-	639,733	-0-	89,651,144	58,904,593	39.7	59.2
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	0.3
TOTAL	-0-	-0-	4,837,333	-0-	90,666,310	58,904,593	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850
 CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289
 NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 11/30/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2002-Dairy	0.1	0.7	6.5	4.3	18.6	2.3	0.5	0.5	11.5	1.5	46.4	2,379.2	45.9	45.9
2001-Dairy	0.2	0.8	5.3	5.1	23.4	2.5	0.6	0.7	13.5	2.7	54.9	2,374.0	45.8	45.5
2002-All cows	0.2	0.8	8.8	11.0	28.3	13.9	15.1	3.2	13.8	6.2	101.1	5,177.9		
2001-All cows	0.2	1.0	7.4	13.7	33.9	16.2	16.9	6.2	16.1	8.3	120.0	5,218.8		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48	10.46	10.15	10.60	10.52
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14	11.07	10.91	11.12	11.26	
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41	10.22	10.50	10.58	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm