

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (2/14):**

**BUTTER:** Grade AA closed at \$1.0600. The weekly average for Grade AA is \$1.0633 (+.0175).

**CHEESE:** Barrels closed at \$1.0450 and blocks at \$1.0775. The weekly average for barrels is \$1.0480 (-.0035) and blocks, \$1.1380 (-.0205).

**NONFAT DRY MILK:** Extra Grade closed at \$0.8900 and Grade A at \$0.8900. The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A, \$0.8900 (N.C.).

**BUTTER:** The butter markets remain weak. Churning schedules across country are active as cream supplies are readily available. Often, cream is moving from one region to another to locate buyers. Butter producers indicate that pricing multiples are quite favorable at this time. Fuel surcharges are becoming more common in many parts of the country which are causing problems for buyers and sellers. Churning activity continues to surpass demand, thus commercial inventories continue to increase. During the week, 380,873 pounds of Western bulk butter was offered to CCC, although 1,818,762 pounds of previously offered bulk butter was cancelled. Since sales to the government resumed four weeks ago, 1,015,455 pounds (net of cancellations) of butter have been offered to CCC. No Central or Eastern butter has been offered. Current butter demand is fair at best. Many buyers are taking a wait and see posture on reorders since they do not see any shortages of supply in the foreseeable future.

**CHEESE:** The cheese market is weak. Overall cheese demand remains unable to clear current offerings. Demand is generally fair at best. Buyers feel little need to purchase for more than immediate needs. A few plant operators are again contemplating spending the money to make the long term supply shift from barrels due to the wide spread between blocks and barrels and sluggish barrel demand. Cheese continues to be packaged for clearance to CCC under the price support program. Milk intakes and cheese production remain above year ago levels throughout the country. More firms are adding fuel surcharges on deliveries.

**FLUID MILK:** Milk intakes continue to increase through most of the country. The exception is in some Central states where milk intakes are steady and in northern California where receipts are at or near the annual low point, though about 5% above year ago levels. Manufacturing schedules remain seasonally active throughout the country. Winter storms in the Mid-Atlantic and New England regions stimulated retail milk demand initially, though later reducing school milk needs. In the Southeast, Florida's milk exports to manufacturing facilities in other states are higher as local intakes increase. Observance of the President's Day holiday (2/17) will close some schools and reduce Class I demand early next week.

**DRY PRODUCTS:** Most recent powder market trends continue. Heavy drying schedules are keeping offerings and inventories heavy on most products. Buyer interest is generally lackluster despite current prices. NDM clearances remain heavy to CCC. The real exception to powder trends is lactose, with a steady to firm market. Lactose inquiries from international buyers are increasing. Production is steady with inventory in balance to tight. Some exporters are concerned that container supplies may tighten if the military requisitions containers for food and supplies. Rising fuel prices are causing fuel surcharges on truck deliveries of bulk and finished products as well as increases in manufacturing costs. The WPC market is steady though movement is spotty. Some producers are unable to fill requests while others are clearing extra loads through brokers.

**CCC:** For the week of February 10 - 14, CCC purchased net negative 1,437,889 pounds of Western butter, 633,600 pounds of Central process cheese, and 15,235,879 net pounds of NDM. Of the NDM net total, 459,464 pounds were from the Central region, 1,304,737 pounds from the East, and 13,471,678 pounds from the West.

**PRODUCERS APPROVE AMENDMENTS REVISING CLASS III AND IV PRICE FORMULAS (AMS DAIRY PROGRAMS):** On February 11, producers supplying milk for each of the 11 Federal milk markets approved amendments to the current Class III and IV Federal milk order pricing formulas. USDA determined producer approval by polling the producer cooperative associations in nine of the markets, and by conducting referenda in the Northeast and Midwest markets. The amended orders will become effective for milk marketed on or after April 1, 2003. Today's final rule culminates a process that began with the 1996 Farm Bill. Additional information can be found at: [http://www.ams.usda.gov/dairy/hearing-III\\_IV.htm](http://www.ams.usda.gov/dairy/hearing-III_IV.htm)

**DECEMBER FLUID MILK SALES (AMS & CDF):** During December, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.4% higher than December 2001. After adjusting for calendar composition, sales in December 2002 were 0.2% higher than December 2001. Cumulative adjusted calendar year fluid product sales total 55.239 billion pounds, up 0.3% from 2001.

**FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB):** Milk production forecasts for 2002/2003 are lowered slightly from last month. Growth in milk per cow continues to lag historical trends and weak milk prices in 2003 are expected to provide little incentive to increase output per cow. Large supplies of dairy products continue to overhang the market. As product prices remain weak, Class prices are forecast to remain below last year. The Class III price forecast is lowered to \$9.70-\$10.20 per cwt. and the Class IV price is forecast at \$9.90-\$10.60. The 2002/03 all milk price is forecast at \$11.20-\$11.70, the lowest level since the late 1970's. Note: The Class III/IV price projections in this report were computed using the current, non-amended Federal milk order price formulas.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS AND CALIFORNIA, NOVEMBER 2002 (AMS, CDF):** In November 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.75, \$0.24 less than the revised figure for the previous month. Most of this month-to-month decrease results from generally lower Federal milk order minimum producer milk prices. The component tests of producer milk in November 2002 were: butterfat, 3.81%; protein, 3.12%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except four, and ranged from \$15.31 in Florida to \$10.56 in Utah. In November 2001, the Federal milk order all-area average mailbox price was \$14.25, \$2.50 higher.

**Errata:** The total receipts of producer milk for 2002 for the Northeast Federal milk marketing area, published last week in the "Federal Milk Order Price and Pool Summary, Annual" should have read 25,358.4 million pounds.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY FEBRUARY 10	TUESDAY FEBRUARY 11	WEDNESDAY FEBRUARY 12	THURSDAY FEBRUARY 13	FRIDAY FEBRUARY 14	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.0500 (N.C.)	\$1.0500 (N.C.)	\$1.0500 (N.C.)	\$1.0450 (-.0050)	\$1.0450 (N.C.)	(-.0050)	\$1.0480 (-.0035)
40# BLOCKS	\$1.1575 (N.C.)	\$1.1575 (N.C.)	\$1.1525 (-.0050)	\$1.1450 (-.0075)	\$1.0775 (-.0675)	(-.0800)	\$1.1380 (-.0205)
BUTTER GRADE AA	\$1.0650 (+.0125)	----	\$1.0650 (N.C.)	----	\$1.0600 (-.0050)	(+.0075)	\$1.0633 (+.0175)

\*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](http://WWW.AMS.USDA.GOV/MARKETNEWS.HTM) (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$8900 and Grade A price is \$8900. NDM information remains available at the above internet address.) NOTE: The CME will be closed Monday, February 17 for the observance of President's Day.

CHICAGO MERCANTILE EXCHANGE

MONDAY, FEBRUARY 10, 2003

CHEESE — SALES: 6 CARS BARRELS: 3 @ \$1.0400, 3 @ \$1.0500; 3 CARS 40# BLOCKS: 1 @ \$1.1525, 1 @ \$1.1550, 1 @ \$1.1575; BIDS UNFILLED: 1 CAR BARRELS @ \$1.0425; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.0500; 4 CARS 40# BLOCKS: 1 @ \$1.1575, 2 @ \$1.1600, 1 @ \$1.1625  
 BUTTER — SALES: 8 CARS GRADE AA: 1 @ \$1.0500, 1 @ \$1.0475, 1 @ \$1.0525, 1 @ \$1.0500, 1 @ \$1.0550, 1 @ \$1.0575, 1 @ \$1.0625, 1 @ \$1.0600; BIDS UNFILLED: 12 CARS GRADE AA: 1 @ \$1.0650, 1 @ \$1.0500, 1 @ \$1.0475, 2 @ \$1.0450, 2 @ \$1.0400, 2 @ \$1.0350, 3 @ \$1.0300; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.0725, 1 @ \$1.0825, 1 @ \$1.0925, 1 @ \$1.1025

TUESDAY, FEBRUARY 11, 2003

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.1500, 1 @ \$1.1575, 1 @ \$1.1500, 1 @ \$1.1575; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS 40# BLOCKS: 1 @ \$1.1575, 2 @ \$1.1600, 1 @ \$1.1700

WEDNESDAY, FEBRUARY 12, 2003

CHEESE — SALES: 9 CARS 40# BLOCKS: 4 @ \$1.1500, 1 @ \$1.1525, 1 @ \$1.1550, 1 @ \$1.1475, 1 @ \$1.1500, 1 @ \$1.1525; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 7 CARS 40# BLOCKS: 2 @ \$1.1525, 4 @ \$1.1550, 1 @ \$1.1575  
 BUTTER — SALES: NONE; BIDS UNFILLED: 4 CARS GRADE AA: 1 @ \$1.0500, 1 @ \$1.0475, 2 @ \$1.0450; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0800

THURSDAY, FEBRUARY 13, 2003

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.0450, 1 @ \$1.0475; 6 CARS 40# BLOCKS: 1 @ \$1.1450, 2 @ \$1.1475, 3 @ \$1.1525

FRIDAY, FEBRUARY 14, 2003

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.0775; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 11 CARS 40# BLOCKS: 2 @ \$1.0775, 1 @ \$1.1050, 1 @ \$1.1400, 2 @ \$1.1425, 5 @ \$1.1450  
 BUTTER — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS GRADE AA: 1 @ \$1.0600, 1 @ \$1.0650, 1 @ \$1.0750, 1 @ \$1.0800

BUTTER MARKETS

NORTHEAST

The market tone remains weak, but prices changes at the CME also indicate an unsettled tone. The cash price at the CME has (through 2/10) increased three consecutive trading sessions. These three sessions followed three consecutive sessions of price decreases. Churning activity in the East is heavy and cream supplies are burdensome. Shipments of excess cream to Midwest butter makers continue. Paying prices for the growing volumes of excess cream are generally lower, regardless of where the buyer is located. Butter demand remains lackluster. With price bouncing around, buyers are unsure how to proceed. Most are taking a wait and see posture since they do not see any shortage of supply in the foreseeable future. Unless featured, retail sales of packaged butter are lackluster. Food service orders are slow to fair. 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

Butter markets remain weak although the CME cash price has firmed above the support level of \$1.05. Churning schedules in the Central part of the country are seasonally quite strong. Cream offering are readily available from both local and out of area sources. Current churning activity continues to surpass demand, thus commercial inventories continue to build. As the cash price dipped under the support price early last week, some producers and handlers anticipated that some Central surplus butter might clear to CCC, but this did not happen. The cash price firmed at midweek and again on Friday, basically dashing further thought of government clearances. Current butter demand is slow and unaggressive. Most

buyers are working down existing inventories or are placing only short term need orders. Retail orders are fairly stable with retail prices basically holding steady. Food service orders are fair at best. Bulk butter for spot sale is selling in a range of flat to 2 cents per pound over various pricing basis, but these sales are very light.

WEST

Offerings of bulk butter to CCC continue to clear surplus stocks out of the commercial market. Some bulk butter does continue to move from the West to other regions of the country. The problem is that production is so far above current needs that surplus stocks remain heavy. Cream offerings available in the market are heavy with churns the only real viable option for much of the cream. Cream demand from ice cream operations is minimal at this time. This is somewhat surprising to many contacts since the downside price risk of buying cream to make ice cream is minimal. Print orders are fair with no real feature activity noted. Both food service and retail interest is fair at best. Fuel surcharges are becoming more common in the region and causing problems for buyers and sellers. Heavy rain is occurring over much of southern California early this week. It is too early to tell if it will have much impact on milk production in the short run. CME weekly butter stocks grew by 9.72 million pounds last week to reach 134.5 million pounds. This is the largest weekly increase in stocks since last spring. Stocks have increased an average of 6.3 million pounds for the last eight weeks. Last year's peak was about 150 million pounds and it was reached during the middle of the summer. Levels are within 15 million pounds of that mark in February. Current prices for bulk butter range from 3 cents under to 1/2 cent over the market based on the CME with various time frames and averages (includes CCC sales when applicable).

NASS DAIRY PRODUCT PRICES

U.S. AVERAGES AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
FEB 8	1.1534	1.0920	0.8113	1.0512	0.1646
	8,281,184	11,068,243	27,826,274	5,336,828	14,511,821

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 mostly lower and the market tone is weak. Cheese output in the Northeast was steady to lower last week. A cheese plant was down for the week to make some renovations and to reduce its growing stocks of product. Surplus milk supplies are moderate to heavy. Demand for cheese is generally slow. Mozzarella sales are just fair and meeting competition from cheese made in other regions of the country. Cheddar demand is just fair, but a large percentage of the current output is going into aging programs. Retail demand is slow to fair and food service orders are slow. For December, Cheddar cheese production in the Atlantic region totaled 12.74 million pounds, 8.3% less than December 2001 but 37.5% more than November 2002. December's mozzarella production in the Atlantic region totaled 43.62 million pounds, 2.2% less than a year ago, but 12.7% more than November.

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

Cheddar 10# Prints	:	1.2225-1.7175
Cheddar Single Daisies	:	1.1800-1.6450
Cheddar 40# Block	:	1.2975-1.5450
Process 5# Loaf	:	1.2625-1.4600
Process 5# Sliced	:	1.2825-1.5275
Muenster	:	1.3850-1.5900
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is unsettled to weak. Current cash prices at the Chicago Mercantile are well below year ago levels on both blocks and barrels. Overall, current supplies continue to exceed demand. Natural orders remain spotty; though mostly fair at best. A few firms are having moderate bulk mozzarella sales though specialty product sales are slow directly to food service accounts. Process movement remains light to generally fair at best. Process clearances to CCC continue to help use up barrel supplies. Barrel offerings remain heavy with discounts common to stimulate spot interest. For some sellers, promotional activity seems to stimulate only short term sales. Overall cheddar offerings continue to exceed demand off the Chicago Mercantile Exchange. Plant cheese inventories remain heavy. Milk intakes seem little changed with recent weeks as seasonal fat and protein tests are providing good yields.

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

Process American 5# Loaf	:	1.2325-1.4900
Brick And/Or Muenster 5#	:	1.5300-1.7200
Cheddar 40# Block	:	1.4500-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.9125-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4650-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

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

	BUTTER	:	CHEESE
		:	
02/10/03	76,310	:	142,402
02/01/03	72,484	:	140,792
CHANGE	3,826	:	1,610
% CHANGE	5	:	1

**WEST**

Prices for both natural and process cheese items declined following trading activity at the CME last week. Production, in general, is heavy and demand is no better than fair. Milk supplies available to cheese plants are heavier than anticipated for this season of the year. Demand for barrel cheese and process items are slower than expected. Contacts are not sure if this is just a short run issue or if things are changing more long run. Offerings of off grade cheese are increasing and stocks are building. Often this type of situation can impact the market for quite a while. Current block interest is slower than it was a few weeks ago. Buyers sense that there is not much reason to purchase more cheese than is necessary for current operation. Production and stocks are both heavy. Mozzarella cheese production is increasing in the region. Sales activity is not robust. Swiss sales are fair, but not up to expectations at all locations. More comments were noted this week on transportation problems related to availability and more firms adding fuel surcharges.

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

Process 5# Loaf	:	1.2000-1.4600
Cheddar 40# Block	:	1.2900-1.4300
Cheddar 10# Cuts	:	1.4700-1.6900
Monterey Jack 10#	:	1.4800-1.6400
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

**FOREIGN**

Prices are steady to lower and the market tone is steady and typical for this time of year. Supplies of most cheese are adequate for the current slow to fair demand. The U.S. dollar has gained strength against the Euro in recent days. This may affect some importers' decisions on purchases since the rate of exchange often plays an important role in buying and importing cheese.

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 : 1.5175-3.0075*
Gorgonzola	:	3.2400-5.9400 : 2.0350-2.4900*
Parmesan (Italy)	:	TFEWR : 2.9275-3.0175*
Romano (Italy)	:	2.1000-3.1900 : -0-
Provolone (Italy)	:	3.4400-5.5000 : 1.5250-1.7525*
Romano (Cows Milk)	:	-0- : 2.7150-4.8875*
Sardo Romano (Argentine)	:	2.8500-3.2900 : -0-
Reggianito (Argentine)	:	2.6900-3.2900 : -0-
Jarlsberg-(Brand)	:	2.7500-3.6900 : -0-
Swiss Cuts Switzerland	:	-0- : 2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500 : -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.

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	0	52	0	15	0	0
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is steady to slightly heavier in most sections of the region. Florida's need for milk ranges from level to slightly slower and in-state handlers moved increased volumes of milk out of state for manufacturing. Farther north, the almost weekly storms are helping milk sales, but these, too, have some limits. A storm hit much of the Middle Atlantic seaboard and New England last Friday (2/7) and another one hit those same areas on Monday (2/10) and another one at midweek hit New England. Reports indicate that the first storm did boost milk sales, but the second and third storms had a lesser impact on retail sales. The closing of schools in the storm areas did offset the jump in retail demand. Milk output in the Northeast is mostly steady. Fluid milk supplies are little changed from last week. Bottled milk sales are termed by many as flat, but many schools will be closed for Presidents' Day (2/17) and this may increase surplus milk volumes late this week. Manufacturing plant contacts report that milk receipts are steady and plant schedules are moderate to occasionally heavy. A cheese plant that had been down for renovations last week is back on line this week. The condensed skim market is steady to weaker. Offerings are increasing and prices are unchanged to lower. The fluid cream market continues to be weak. Demand from Class II users is slow despite lower prices. Most suppliers report an abundant cream supply with continued heavy shipments of excess to local and Midwestern butter makers. Ice cream and cream cheese producers are occasionally taking extra or spot loads, but their contracts are normally sufficient to meet their production needs. However, the relatively low price of cream is attractive to some users who can take advantage of the current low multiples being offered by some producers. Some contacts were pleased to report that bottled cream production is occasionally improved this week. This meant that they had less or no cream to clear on the spot market. Churning activity remains heavy.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2027-1.3386
DELIVERED EQUIVALENT ATLANTA	-	1.2340-1.3386 M 1.2550-1.2759
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3699-1.4327

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9200- .9800
NORTHEAST- CLASS III - SPOT PRICES	- .7200- .8400

M I D W E S T

Class I interest was generally slower except where feature activity stimulated retail sales. Most manufacturing plant schedules remain seasonally active. Some plant operators are already concerned with having adequate processing capacity for their projected peak spring milk intakes, based on current receipts. Manufacturing milk interest remains light due to continued sluggish cheese sales. More than a few plant operators would rather sell at least some of their own milk receipts rather than purchase additional volumes. Reported spot manufacturing price adjustments range -\$0.75 to +\$0.25 from class with most sales occurring at -\$0.75 to -\$0.50. Cream interest is steady to occasionally improved as ice cream producers try to build inventory. Many operations would rather be on full 5 days with or without limited weekend schedules now and reduce the amount of summer overtime needed. Heavy cream volumes continue to clear to churns at lower multiples/prices than reported for Class II. Condensed skim interest is mixed, good in some locations and slow elsewhere. Current plant milk intakes seem to be at a plateau with recent weeks.

Colder temperatures and snow blanketed parts of the region. Combined with high winds (gusts of over 50mph), more areas finally have snow cover. However, the cold and lack of snow in some areas of the region put the alfalfa and winter wheat crops at increased risk of winterkill. Much of the region remains dry with snow/moisture levels well below year ago levels in many states. Concern continues over moisture levels that will be available for crops this summer.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 37.00- 42.00	\$ 40.00- 46.50
REPLACEMENT HEIFER CALVES	\$300.00-430.00	\$480.00-640.00

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

	FEB 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 37.00- 44.00	\$ 38.50- 46.50

W E S T

The March 2003 Class 1 prices in CALIFORNIA range from \$11.89 in the north to \$12.17 in the south. The statewide average Class 1 price based on production is \$11.94. The average is \$0.11 lower than February 2003 and \$1.38 lower than March 2002. CALIFORNIA continues to crank out a steadily increasing milk supply. Weather conditions have been nearly ideal with moderate temperatures and limited moisture. However, rainy conditions have entered the south and mid state and the volume and duration could begin to impact milk. Snow in the Grapevine did close the interstate between Los Angeles and Bakersfield for a time early in the week. Some milk had to be rerouted. In the northern milk producing areas, the milk flow is steady at or near the low point of the year. Levels are estimated to be 5% or higher over last year. There is plant capacity to handle local and surplus volumes. In the Central Valley, milk output remains stronger than anticipated. There are concerns about processing capacity during the flush, but new plants and capacity should help. Milk production is steady to higher in the south with some impact expected from wet conditions if they materialize as predicted. NEW MEXICO milk supplies are indicated to be heavy at sizeable levels compared to a year ago. Weekly gains in milk intakes are still being seen. Additional cows and favorable weather are contributing factors. Processors are being asked to take more milk to help keep supplies balanced locally. The CREAM market remains highly unsettled and weak. Transportation costs are increasing with higher fuel prices and more surcharges appearing on billings. More competition for tankers is evident. There continues to be heavy supplies of cream available for all trade needs and fat levels in milk are increasing. Excess cream volumes remain and have to clear to butter churns. Western cream multiples range from 105 to 126, FOB, depending on class usage. Milk production remains heavy in the PACIFIC NORTHWEST. Conditions are warm and dry which are helping short run production patterns. More contacts are concerned about the upcoming growing season from a water point of view. Many reservoirs remain nearly empty with not much likelihood of filling during the spring melt. Hay sales are slow in the region and prices are holding about steady. Most offerings are now in the lower quality dairy category or high end feeder. Financial stress continues to be a general topic of discussion. A new wrinkle noted this week concerning cows from operations that have had to cease operation is that in some cases the banks are directing where the cows should go since they have loans all over the West. The goal is to get the best return for the assets that are being liquidated and this may mean going to another state that might have a better cost/return structure. Heifer prices in the region are steady to about \$75 lower. Some sales in UTAH and IDAHO are noting declines of double that amount. Moisture has been more common over the more southern parts of the region this week. It is a warm storm from California which means the snow line is very high. Milk receipts are steady at levels higher than anticipated. Hay demand is light and prices are declining. Little hay is moving at this time. Hay sellers feel that the low milk prices are reducing the options available for the dairy industry.

**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. Supplies of condensed skim are increasing at some locations, encouraging production of low heat NDM. Spot sales are noted into cheese, ice cream and brokerage facilities. Demand is generally light and offerings are fully adequate. West coast supplies displace Central region product at some locations where freight costs are at issue. Sales to the CCC are reported for the current week. High heat production is light with contractual loads generally clearing from inventoried supplies.

EAST: Prices are steady to lower in the East and the market tone remains relatively weak. Producers are still clearing a fairly good portion of the current output, but Eastern NDM continues to clear to CCC. Some contacts do state that this week's surplus milk supply is down slightly which allowed them to make more medium and high heat NDM. However, there are indications that more producers may start to package NDM in government bags for possible sale to CCC. Domestic demand is mostly contractual, but there seemed to be a slight up-tick in spot, replacement purchases this week. Traders continue to report another week of limited activity. Producer stocks are fully adequate, but balanced by offerings to CCC.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8000 - .8600 MOSTLY: .8150 - .8300  
 HIGHHEAT: .8675 - .9150

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are unchanged. The market tone remains weak. Greater opportunities for bargain hunters continue to be present with additional loads of NDM being shown from balancing plants and resellers who want to move loads. Slight off grades at discounts also are providing buyers choices. Processors with the option of "going to the government" continue to make spot and contract sales that they can and offer the balance to the CCC under the price support program. Drying schedules remain very heavy to process milk in the region. Stocks are ample to long of trade needs. Medium heat NDM production has slowed as export orders have been filled. Domestic demand is typically very light. During the week of February 3 - 7, CCC purchased 21,131,051 pounds of nonfortified NDM from the West. High heat prices are slightly higher on the bottom end of the range in a generally limited spot market. Contract orders are fair and moving only limited amounts of powder currently. Production is limited for high heat.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .7950 - .8950 MOSTLY: .8000 - .8150  
 HIGHHEAT: .8275 - .8500

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 7	\$.8016	13,880,845	9,723,149
January 31	\$.8088	18,115,669	11,348,027

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 on a steady market. Although increased movement of condensed buttermilk is reported into ice cream facilities, excess condensed buttermilk remains available, resulting in increased production of dry buttermilk. Stocks of dry buttermilk are in balance at some locations and beginning to build at other facilities. Producers are not aggressive in selling buttermilk. Offerings are light with some spot movement noted into brokerage facilities.

F.O.B. CENTRAL: .6900 - .7200

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are mostly steady and the market tone remains weak. Eastern prices are nominal. Churning activity continues to be heavy in all parts of the country. In the East, butter makers are processing as much cream as they care to handle and the resulting buttermilk volumes are substantial. A good portion of the buttermilk does clear as condensed, but increased dryer time is needed at some plants. Plant stocks range from balanced to moderate. Demand for dry buttermilk is lackluster. Reports of some off condition, old powder being offered at a considerable discount have been noted.

F.O.B. NORTHEAST: .7175 - .7300  
 DELVDSOUTHEAST: .7400 - .7650

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices are slightly lower on the top end of the range. The market tone remains unsettled to weak. Offerings are available in the marketplace. Some producers are in better shape on a contracted or committed basis, while others have extra loads to move. Drying schedules remain active to process solids from high butter production. Stock levels are at moderate to heavy levels.

F.O.B. WEST: .7000 - .7500 MOSTLY: .7200 - .7400

**DRY WHOLE MILK - NATIONAL**

Prices are generally steady and nominal. The market tone is slightly improved. More producers indicate increased output and better sales. Production levels are up at more plants as they meet contract shipments and the occasionally improved spot demand.

F.O.B. PRODUCING PLANT: 1.1000 - 1.1500

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2002 THROUGH FEBRUARY 7, 2003  
 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 unchanged on a steady market. Trading activity is very light with most movement occurring on a contractual basis. Some feed buyers are seeking additional loads of whey to dilute stocks of 80% WPC purchased. Production remains steady and inventories are generally in balance. Traders and producers are reporting the market as "flat." Supplies of Extra Grade and off grade are reportedly more readily available in the West. Condensed whey is available for the light interest.

F.O.B. CENTRAL: .1500 - .1650 MOSTLY: .1550 - .1600

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices and the market tone remain steady. Producers and trades continue to report little spot activity. This is somewhat unusual when prices seem to "bottom out" like they currently appear to be. Normally, buyers and users jump back into the market and stock up on low-cost whey powder. However, there is little in the way of improved spot interest that indicates a pending upswing in this market. Production levels are steady to heavier in the East. Grade A product is still quite tight, but Extra Grade is readily available. Export interest is fair to good. Domestic buyers are not overly aggressive and seem to be buying for immediate needs.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1575 - .1800  
 DELVD SOUTHEAST: .1800 - .1925

**DRY WHEY - WEST**

Western whey prices continue to decline as sellers try to maintain good movement on current offerings. The lower prices are stimulating additional sales activity. Stock levels at production locations range from heavy to in good balance. Production at most locations is much heavier than anticipated and is expected to remain that way into the upcoming spring flush. The market continues to have a weak undertone.

NONHYGROSCOPIC: .1400 - .1900 MOSTLY: .1500 - .1700

**ANIMAL FEED WHEY - CENTRAL**

Prices remain unchanged on roller ground and milk replacer on a steady market. Supplies of permeate are competitive with milk replacer into some feed facilities. Trading activity is generally light. Roller ground production and price remains unchanged. Movement is mostly contractual and inventories are generally in balance. Early weaned pig prices are trending lower while veal trading is generally light.

F.O.B. CENTRAL:  
 MILK REPLACER: .1375 - .1500  
 ROLLERGROUND: .1475 - .1825

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged on a mostly steady market. Spot movement of 34% WPC is lackluster. Supplies remain mixed with some plants unable to satisfy spot requests while other locations are clearing extra loads into brokerage facilities at the lower end of the range. Production is generally steady. Domestic off grade supplies of 80% WPC are heavy and displacing Extra Grade 34% WPC into some feed facilities. Stocks of 80% WPC that have been diluted to the 34% protein level are often difficult to clear and trading at reduced prices. Canadian Extra Grade 34% WPC is being offered into the US at competitive prices with the US market. Food interest in 34% WPC is generally good and mostly contractual with some increased interest in the agglomerated product.

F.O.B. EXTRA GRADE 34% PROTEIN: .4900 - .5425 MOSTLY: .5100 - .5150

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady to firm market. Inquiries are increasing, especially from the Asian market for the second quarter. Spot inquiries are also noted from the EU and India. Some traders are miffed by the higher prices in light of the lower prices reported in the whey market. Increased usage of lactose in standardizing NDM in foreign nations is suggested to have reduced supply availability. Demand for 200 and 100 mesh is strong with producers unable to satisfy requests. Production is mostly steady. Inventories are reportedly in balance to tight. Military efforts overseas have some exporters concerned that containers may be requisitioned for food shipment to the troops, thereby limiting container supplies. Fuel surcharges on shipments are also a concern. Off grade supplies of lactose are available at prices below and within the current range.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.  
 F.O.B. EDIBLE: .1550 - .2350 MOSTLY: .1600 - .1800

**CASEIN - NATIONAL**

Casein markets remain firm with prices generally unchanged. Stocks of both rennet and acid are in close balance, but for the most part, domestic buyers are getting what they need. With production on the down side in the Oceania region and 2002 production data in Europe indicating lighter output, domestic buyers are questioning supply availability for the future. As supplies tighten, suppliers and buyers anticipate prices to be firmer for future deliveries.

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: 1.9000 - 2.1000  
 ACID: 1.8000 - 1.9500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Market activity is somewhat limited to contracts, but some buyers/retailers who had heavy, year-end inventories are beginning to restock. Contacts report that some retailers are already starting to think about Easter needs. The market remains highly competitive as producers try to gain/regain accounts. Production levels are little changed, but some plants are building stocks now that milk is plentiful and relatively inexpensive.

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 <sup>1/</sup>

Month	01/29	01/30	01/31	02/03	02/04	02/05	02/06	02/07	02/10	02/11
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
JAN 03	9.76 (1874) 5	9.77 (1830) 1	9.78							
FEB 03	9.83 (2042) 20	9.75 (2046) 12	9.72 (2041) 13	9.70 (2003) 16	9.70 (1876) 158	9.70 (1883) 32	9.70 (1874) 38	9.70 (1848) 26	9.69 (1845) 8	9.69 (1843) 5
MAR 03	10.01 (2250) 52	9.85 (2266) 37	9.76 (2283) 82	9.75 (2277) 61	9.70 (2291) 69	9.65 (2311) 54	9.70 (2326) 47	9.78 (2340) 96	9.77 (2377) 60	9.75 (2419) 39
APR 03	10.25 (1968) 13	10.15 (1988) 62	10.08 (2079) 140	9.90 (2113) 168	9.90 (2150) 55	9.90 (2211) 102	9.96 (2201) 47	9.98 (2204) 44	10.03 (2421) 245	10.02 (2496) 117
MAY 03	10.57 (1888) 56	10.45 (1969) 130	10.35 (2036) 345	10.12 (2057) 330	10.10 (2057) 140	10.03 (2050) 18	10.11 (2055) 49	10.15 (2069) 36	10.22 (2051) 69	10.28 (2084) 88
JUN 03	11.18 (2135) 53	10.98 (2035) 260	10.70 (2007) 382	10.51 (2159) 344	10.40 (2304) 247	10.33 (2314) 46	10.42 (2285) 163	10.46 (2298) 91	10.52 (2287) 78	10.65 (2306) 79
JUL 03	11.80 (2002) 42	11.65 (1952) 316	11.37 (2018) 206	11.20 (2039) 118	11.11 (2081) 94	10.91 (2089) 63	10.93 (2101) 68	10.97 (2116) 79	11.05 (2114) 90	11.20 (2155) 97
AUG 03	12.47 (2035) 36	12.42 (2043) 196	12.15 (2130) 199	11.91 (2168) 90	11.80 (2180) 42	11.72 (2203) 43	11.74 (2196) 43	11.75 (2168) 93	11.80 (2142) 125	11.93 (2177) 103
SEP 03	12.81 (2157) 26	12.73 (2167) 182	12.53 (2196) 188	12.33 (2252) 113	12.17 (2304) 175	12.14 (2295) 70	12.19 (2268) 38	12.20 (2248) 96	12.23 (2223) 82	12.40 (2261) 88
OCT 03	12.30 (1620) 41	12.28 (1650) 64	12.20 (1687) 60	12.01 (1704) 83	11.90 (1764) 98	11.90 (1763) 79	11.90 (1754) 28	11.92 (1765) 74	12.05 (1775) 48	12.15 (1808) 87
NOV 03	12.15 (1301) 19	12.14 (1297) 46	12.01 (1308) 33	11.94 (1331) 83	11.88 (1353) 63	11.88 (1355) 30	11.90 (1352) 28	11.92 (1352) 41	12.00 (1363) 30	12.15 (1400) 76
DEC 03	11.85 (1091) 17	11.87 (1106) 45	11.83 (1103) 29	11.80 (1130) 69	11.78 (1155) 49	11.78 (1146) 35	11.80 (1156) 22	11.82 (1156) 41	11.92 (1170) 58	12.02 (1219) 92
JAN 04	11.75 (71) 0	11.75 (71) 0	11.75 (73) 2	11.71 (78) 5	11.71 (88) 11	11.70 (98) 10	11.70 (104) 10	11.69 (103) 9	11.65 (105) 6	11.70 (105) 0
FEB 04	11.62 (55) 0	11.62 (55) 0	11.65 (55) 0	11.65 (57) 2	11.65 (57) 0	11.65 (57) 0	11.65 (63) 10	11.60 (63) 0	11.59 (63) 0	11.59 (63) 0
MAR 04	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (40) 1	11.60 (40) 0	11.60 (47) 7	11.55 (47) 0	11.55 (47) 0	11.55 (47) 0
APR 04	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (40) 1	11.55 (40) 0	11.55 (40) 0	11.55 (40) 0
MAY 04	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0
JUN 04	11.56 (31) 0	11.56 (31) 0	11.60 (31) 0	11.60 (31) 0	11.60 (31) 0	11.60 (31) 0	11.60 (32) 1	11.55 (32) 0	11.55 (32) 0	11.55 (32) 0

**CME - CLASS IV MILK FUTURES - Dollars per cwt.)**

JAN 03	10.25 (64) 0	10.25 (64) 0	10.07							
FEB 03	10.35 (39) 0	10.35 (39) 0	10.28 (42) 0	10.25 (42) 0	10.25 (42) 0	10.25 (42) 0	10.20 (32) 10	10.05 (37) 0	10.05 (37) 0	10.05 (37) 0
MAR 03	10.41 (23) 0	10.41 (23) 0	10.40 (23) 0	10.38 (23) 0	10.36 (23) 0	10.36 (23) 0	10.30 (23) 0	10.30 (25) 0	10.30 (25) 0	10.30 (25) 0
APR 03	10.69 (14) 0	10.69 (14) 0	10.65 (14) 0	10.60 (14) 1	10.50 (14) 0	10.50 (14) 0	10.45 (14) 0	10.45 (14) 0	10.45 (14) 0	10.45 (14) 0
MAY 03	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0	10.85 (8) 0	10.82 (8) 0	10.82 (8) 3	10.50 (8) 0	10.50 (8) 0	10.50 (8) 0	10.50 (8) 0
JUN 03	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	10.95 (5) 0	10.95 (5) 0	10.95 (5) 3	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0	10.50 (5) 0
JUL 03	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0	11.25 (2) 0	11.25 (2) 0	11.25 (2) 0	11.20 (6) 5	10.50 (6) 0	10.50 (6) 0	10.50 (6) 0

**CME - BUTTER FUTURES -- Cents per pound**

MAR 03	115.00 (452) 1	115.00 (452) 0	115.00 (454) 4	114.00 (460) 29	114.00 (467) 9	114.00 (472) 7	113.50 (479) 9	113.75 (479) 1	113.75 (479) 3	113.50 (483) 4
MAY 03	118.75 (304) 0	118.75 (304) 0	118.50 (303) 1	117.00 (305) 3	117.50 (305) 0	117.50 (305) 1	117.00 (303) 2	117.00 (302) 1	116.75 (302) 0	116.75 (302) 0
JUL 03	122.00 (287) 2	122.00 (287) 3	121.00 (284) 5	120.45 (281) 18	120.50 (281) 5	120.45 (281) 2	120.00 (282) 1	120.50 (283) 1	120.50 (283) 0	120.00 (283) 0
SEP 03	125.00 (309) 1	125.00 (309) 2	124.25 (310) 7	123.00 (310) 4	123.50 (310) 1	123.00 (310) 1	123.00 (310) 0	123.00 (310) 1	122.75 (311) 4	122.50 (311) 0
OCT 03	126.00 (203) 3	126.47 (203) 0	125.50 (204) 2	124.25 (208) 26	124.25 (208) 2	124.00 (208) 5	124.00 (208) 0	124.02 (208) 3	124.00 (208) 0	124.00 (208) 0
DEC 03	127.00 (19) 4	127.00 (19) 0	127.00 (19) 0	127.00 (22) 5	127.00 (22) 0	127.00 (22) 0	127.00 (22) 0	127.00 (26) 4	127.00 (26) 0	127.00 (34) 8

<sup>1/</sup> 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 February 3 - 14, 2003

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 across Europe is starting to show more signs of seasonal increases. Milk producers are closely monitoring their volumes as the milk quota yearend nears. Reports indicate that milk volumes are running heavier in Germany and the Netherlands and trails last year in France. There are mixed opinions as to the volume of powder that is being generated for intervention offering March 1. Many producers and handlers speculate that there is not the volume of powder being readied this year versus last year. Many producers have powdered milk commitments to fill during the next 4 - 6 weeks at higher prices than intervention levels that will potentially lighten early skim offerings to intervention. International buyer interest for manufactured dairy products is light. Again during recent weeks, buyers are bidding lower prices than producers are willing to acknowledge, thus minimal trading is being reported. There appears to be stocks of dairy products available for buyer needs, although agreeable prices are limiting sales at this time. International political unrest is also being attributed to slow sales at this time. Traders speculate that it will be April before any significant new buyer interest will be reported.

**BUTTER/BUTTEROIL:** Butter markets are steady to weak. Prices are unchanged to lower. Stocks of butter are available for the limited international buyer interest at this time, thus current sales are centered around internal or domestic needs. Recent sales activity to Russia has slowed although shipments continue to clear European countries. Some European traders are closely monitoring if invitations will be issued in the U.S. under the DEIP program for butterfat. European traders feel that this will have minimal impact on international sales and will not displace potential sales for them because of the light buyer interest at this time.

82% BUTTERFAT: 1,175 - 1,250  
99% BUTTERFAT: 1,350 - 1,450

**SKIM MILK POWDER (SMP):** European skim milk powder markets are generally holding steady at unchanged prices. Some buyers that are in the market are bidding lower prices with minimal results. Most traders are not willing to acknowledge these lower bids. There are mixed opinions as to the volume of powder that is being generated for intervention offering March 1. Many producers and handlers speculate that there is not the volume of powder being readied this year versus last year. Many producers have powdered milk commitments to fill during the next 4 - 6 weeks at higher than intervention price levels that will potentially lighten early skim offerings to intervention

1.25% BUTTERFAT: 1,700 - 1,800

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are holding generally steady. International buyer interest is slow. Some small lot sales are being reported out of Eastern Europe. Most activity that is occurring in the market place is shipments of previous negotiated powder. For the most part, milk volumes are sufficient to maintain steady shipment schedules.

26% BUTTERFAT: 1,725 - 1,820

**SWEET WHEY POWDER:** European whey powder markets remain weak as prices continue to edge lower. Stocks of powder are available for domestic needs with international sales slow. Traders are hopeful that European prices are now getting to a point that some international buyers, that are in the market, may consider this region as a source.

NONHYGROSCOPIC: 350 - 400

**OVERVIEW: EASTERN EUROPE:** Milk production in Eastern Europe is holding basically steady at low levels. Producers and handlers are optimistic about the upcoming milk production season. Stocks of manufactured dairy products are low, thus a positive milk season would once again replenish these stocks for domestic and international needs. Eastern Europeans are reporting some small lot sales of skim and whole milk powder, but for the most part, international sales are slow.

## OCEANIA

**OVERVIEW:** Milk production in the Oceania region continues to edge lower. In Australia, the most recent production figures indicate that the trends that have been present all season continue. Milk output is projected to be about 9.5% lower than last season to around 10.2 billion liters. Milk production in Victoria, the major milk producing state of Australia, is estimated to be down about 12% from last season. Milk producers and handlers indicate that at this point these are the production projections, but by years end, overall production could be further impacted. Moisture remains limited throughout the dairy regions of Australia. Some measurable rainfall has occurred in Northern Queensland which has helped low moisture levels, although this region of Australia has limited dairy. Most are hopeful that April rainfall will help replenish depleted moisture conditions, but considerable rainfall will be needed to accomplish this. In New Zealand, milk production is on the down side of the season, although recently, further declines have dissipated and a leveling or a stabilizing pattern is occurring. At this point overall milk output in New Zealand is running about 1% ahead of last year. Minimal rainfall has occurred throughout the islands, but basically only enough to maintain green conditions and not enough to dispel drought possibilities. Market conditions in the Oceania region are much the same as has been the case in recent weeks. Prices have firmed with stocks of manufactured dairy products in close balance and in instances, short of full needs. Milk volumes are being directed towards products of most need. Reports indicate that full cream milk powder is receiving the nod followed by cheese and casein production. At this point, casein production remains active, although this product is the last to come on line and the first to close down for the season.

**BUTTER:** Oceania butter markets are steady with a firm undertone. Prices are unchanged to slightly higher. Stocks of butter in Australia and New Zealand are reported to be in balance with need with minimal volumes available for spot buyer interest. At this point, most transactions are centered around regular and ongoing customer needs. Oceania contacts state that international buyer interest is quite slow and unaggressive.

82% BUTTERFAT: 1,250 - 1,350

**CHEDDAR CHEESE:** Cheese markets are firm with prices generally higher. Stocks of cheese are reported to be tightening. As the milk production season winds down, some cheese producers are already reducing production schedules. Others manufacturers are trying to maintain steady output schedules by encouraging milk to be directed toward this need. Most regular customers are getting their contracted needs filled. If additional volumes are requested, these needs might not be fully acknowledged and often at higher prices.

39% MAXIMUM MOISTURE: 1,725 - 1,900

**SKIM MILK POWDER (SMP):** Skim milk powder markets are generally steady with a firm undertone. Prices are unchanged to slightly higher. Stocks of Oceania powder are reported to be in close balance with no significant volumes available for spot buyer interest. At this time, new buyer interest is not overly aggressive and most transactions are centered around known buyer needs. Producers and handlers state that most customers are getting what they need.

1.25% BUTTERFAT: 1,700 - 1,850

**WHOLE MILK POWDER (WMP):** Whole milk powder markets are generally steady, although prices are unchanged to slightly higher. Manufacturers are directing milk toward whole milk powder production. Stocks are reported to be sufficient for current needs, although producers and handlers indicate that there are minimal volumes available for spot buyer interest. Most handlers state that overall buyer interest is slow as current market activity is centered around previously placed orders.

26% BUTTERFAT: 1,750 - 1,850

Exchange rates for selected foreign currencies: February 10, 2003

.6537 Canadian Dollar	.0210 Indian Rupee
.3170 Argentina Peso	.5507 New Zealand Dollar
.0912 Mexican Peso	.5911 Australian Dollar
.2587 Polish Zloty	.0083 Japanese Yen
	1.0739 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0910)= 10.9890. That is 1 US Dollar equals 10.9890 Mexican Pesos.

Source: "Wall Street Journal"

## DECEMBER FLUID MILK SALES

During December, about 4.7 billion pounds of packaged fluid milk products is estimated to have been sold in the United States. This was 0.4 percent higher than December 2001. After adjusting for calendar composition, sales in December 2002 were 0.2 percent higher than December 2001. On an individual product basis, after adjusting for calendar composition, sales of reduced fat (2%) milk and low fat (1%) milk would have likely increased from December 2001, while sales of whole milk, fat-free (skim) milk, and buttermilk would have likely decreased from a year earlier.

**Editor's Note:** Some of the data also can be found at [www.ams.usda.gov/dvfm/mib/in-areales.htm](http://www.ams.usda.gov/dvfm/mib/in-areales.htm)

ESTIMATED TOTAL U.S. SALES OF FLUID MILK PRODUCTS,  
DECEMBER 2002, WITH COMPARISONS <sup>1/</sup>

Product Name	Sales		Change from: <sup>2/</sup>	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Whole Milk <sup>3/</sup>	1,665	19,488	0.0	-0.1
Reduced Fat Milk (2%)	1,478	17,548	0.7	0.3
Low Fat Milk (1%) <sup>4/</sup>	747	9,177	1.0	2.2
Fat-Free Milk (Skim)	669	8,270	-1.1	-0.5
Buttermilk	51	586	-3.9	-3.3
Total Fluid Milk Products <sup>5/</sup>	4,687	55,262	0.4	0.3
Total Fluid Milk Products Adjusted <sup>5/ 6/</sup>	4,738	55,239	0.2	0.3

<sup>1/</sup> These figures are based on the consumption of fluid milk products in Federal milk order marketing areas and California, which represents approximately 93 percent of total fluid milk sales in the United States. An estimate of total U.S. fluid milk sales is derived by interpolating the remaining 7 percent of sales from the Federal milk order and California data. The procedure used for estimating U.S. fluid milk sales by the Agricultural Marketing Service is different from that used by the Economic Research Service (ERS) of USDA. Consequently, the year-to-date figures here may differ from the annual figures published by ERS. <sup>2/</sup> Previously, this data series showed all percent changes adjusted for calendar composition. Percent changes, as well as sales volumes, unless otherwise noted, are not shown on a calendar composition basis. See <sup>6/</sup>. <sup>3/</sup> Includes flavored whole milk. <sup>4/</sup> Includes flavored fat-reduced milk. <sup>5/</sup> Total fluid milk products include the products listed plus miscellaneous products and eggnog. <sup>6/</sup> Sales volumes and percent changes have been adjusted for calendar composition.

PACKAGED SALES OF TOTAL FLUID MILK PRODUCTS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, DECEMBER 2002, WITH COMPARISONS <sup>1/</sup>

Area (Order Number) <sup>2/</sup>	Sales		Change from: <sup>3/</sup>	
	December	Year to Date	Previous Year	Year to Date
	Mil. Lbs.		Percent	
Northeast (001)	841	9,738	-0.6	-0.3
Appalachian (005)	288	3,438	1.9	-0.7
Southeast (007)	409	4,895	1.4	-0.6
Florida (006)	242	2,868	0.1	1.6
Mideast (033)	543	6,402	-1.6	0.3
Upper Midwest (030)	374	4,393	-0.3	0.4
Central (032)	395	4,640	0.1	0.0
Southwest (126)	346	4,186	0.2	0.4
Arizona-Las Vegas (131)	111	1,275	3.0	2.6
Western (135)	75	896	3.0	0.7
Pacific Northwest (124)	184	2,176	-0.5	-0.4
California (---)	548	6,487	3.3	1.6

<sup>1/</sup> These figures are representative of the consumption of total fluid milk products. <sup>2/</sup> Individual area data are for total fluid milk products. See <sup>5/</sup> above. <sup>3/</sup> Percent changes, as well as sales volumes, **are no longer** shown on a calendar composition basis.

**SOURCE:** Monthly reports filed by milk processors subject to the provisions of the applicable Federal milk order, AMS, USDA, and *California Dairy Information Bulletin*, California Agricultural Statistics Service and Milk Stabilization Branch.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES\*

Milk production forecasts for 2002/2003 are lowered slightly from last month. Growth in milk per cow continues to lag historical trends and weak milk prices in 2003 are expected to provide little incentive to increase output per cow. Large supplies of dairy products continue to overhang the market. As product prices remain weak, Class prices are forecast to remain below last year. The Class III price forecast is lowered to \$9.70-\$10.20 per cwt. and the Class IV price is forecast at \$9.90-\$10.60. The 2002/03 all milk price is forecast at \$11.20-\$11.70, the lowest level since the late 1970's.

Item	2000/01 <u>1/</u>	2001/02 Estimate <u>1/</u>		2002/03 Projection <u>1/</u>		
		January	February	January	February	
<b>BILLION POUNDS</b>						
SUPPLY						
BEGINNING COMMERCIAL STOCKS <u>2/</u>	8.9	8.8	8.8	11.3	11.3	
PRODUCTION	165.2	168.9	168.9	171.0	170.7	
FARM USE	1.3	1.2	1.2	1.2	1.2	
MARKETINGS	163.9	167.7	167.6	169.8	169.5	
IMPORTS <u>2/</u>	5.4	5.2	5.2	4.8	5.0	
TOTAL COMMERCIAL SUPPLY <u>2/</u>	178.2	181.6	181.6	185.9	185.9	
USE						
COMMERCIAL USE <u>2/ 3/</u>	169.1	170.1	170.0	174.9	174.1	
ENDING COMMERCIAL STOCKS <u>2/</u>	8.8	11.3	11.3	9.8	10.6	
CCC NET REMOVALS:						
MILKFAT BASIS <u>4/</u>	0.3	0.3	0.3	1.3	1.1	
SKIM SOLIDS BASIS <u>4/</u>	6.3	9.6	9.6	6.8	6.9	
<b>DOLLARS PER CWT.</b>						
MILK PRICES <u>5/</u>						
CLASS III <u>6/</u>	12.29	11.03	11.03	9.85-10.35	9.70-10.20	
CLASS IV <u>7/</u>	13.88	11.22	11.22	10.05-10.75	9.90-10.60	
ALL MILK <u>8/</u>	14.51	12.76	12.76	11.35-11.85	11.20-11.70	
<b>MILLION POUNDS</b>						
CCC PRODUCT NET REMOVALS <u>4/</u>						
BUTTER	0	0	0	45	35	
CHEESE	17	9	9	20	25	
NONFAT DRY MILK	525	817	817	565	570	
DRY WHOLE MILK	3	0	0	0	0	
		<b>QUARTERLY <u>9/</u></b>			<b>ANNUAL <u>9/</u></b>	
		2003 I	2003 II	2003 III	2002	2003
<b>BILLION POUNDS</b>						
MILK PRODUCTION	42.9	44.3	42.0	169.6	171.3	
<b>DOLLARS PER CWT.</b>						
ALL MILK PRICE <u>5/ 8/</u>	11.35-11.65	10.70-11.30	10.95-11.85	12.12	11.25-11.95	
CLASS III PRICE <u>5/ 6/</u>	9.60-9.90	9.50-10.10	9.70-10.60	10.42	9.80-10.50	
CLASS IV PRICE <u>5/ 7/</u>	9.75-10.15	9.65-10.35	9.90-11.00	10.81	9.85-10.75	

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order Class III price. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Authur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-395, World Agricultural Outlook Board, USDA, February 11, 2003.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, NOVEMBER 2002**

In November 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$11.75 per cwt., \$0.24 less than the revised figure for the previous month. Most of this month-to-month decrease results from generally lower Federal milk order minimum producer milk prices. The component tests of producer milk in November 2002 were: butterfat, 3.81%; protein, 3.12%; and other solids, 5.69%. On an individual reporting area basis, mailbox prices decreased in all reporting areas except four, and ranged from \$15.31 in Florida to \$10.56 in Utah. In November 2001, the Federal milk order all-area average mailbox price was \$14.25, \$2.50 higher.

Reporting Area	Mailbox Milk Price <sup>2/</sup>		
	November 2001	October 2002	November 2002
	Dollars per hundredweight		
Northeast Federal Milk Order	14.62	11.74	11.65
Appalachian States <sup>3/</sup>	16.06	12.42	12.58
Southeast States <sup>4/</sup>	16.36	13.24	13.35
Florida	18.60	15.50	15.31
Ohio	14.36	11.86	11.95
Michigan	14.09	11.68	11.56
Wisconsin	13.78	12.38	11.83
Minnesota	13.69	12.18	11.64
Illinois	13.79	12.15	11.87
Northern Missouri <sup>5/</sup>	13.90	12.69	12.46
Southern Missouri <sup>6/</sup>	14.87	11.92	11.92
Corn Belt States <sup>7/</sup>	13.58	11.94	11.57
Western Texas <sup>8/</sup>	14.65	12.14*	11.99
New Mexico	13.44	11.10*	10.86
Idaho	12.36	10.97	10.61
Utah	12.74	10.87	10.56
Northwest States <sup>9/</sup>	13.61	11.56	11.40
All Federal Order Areas <sup>10/</sup>	14.25	11.99*	11.75
California <sup>11/</sup>	12.96	10.94	NA

\* Revised.

NA= Not available.

<sup>1/</sup> Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. <sup>2/</sup> Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. <sup>3/</sup> Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. <sup>4/</sup> Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. <sup>5/</sup> All counties to the north of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry. <sup>6/</sup> The counties listed in <sup>5/</sup> and all those to the south of these. <sup>7/</sup> Includes Iowa, Kansas, and Nebraska. <sup>8/</sup> All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. <sup>9/</sup> Includes Oregon and Washington. <sup>10/</sup> Weighted average of the information for all selected reporting areas in Federal milk orders. <sup>11/</sup> Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

**CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)**

	FOR THE WEEK OF FEBRUARY 10 - 14, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	WEEK ENDING	SAME PERIOD
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/02	LAST YEAR	02/07/03	LAST YEAR
<b>BUTTER</b>							
Bulk	380,873	1,818,762	-1,437,889	1,015,455	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	<b>380,873</b>	<b>1,818,762</b>	<b>-1,437,889</b>	<b>1,015,455</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>CHEESE</b>							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	337,555	-0-	-0-	-0-
Process	633,600	-0-	633,600	7,326,000	-0-	-0-	-0-
<b>TOTAL</b>	<b>633,600</b>	<b>-0-</b>	<b>633,600</b>	<b>8,007,269</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>NONFAT DRY MILK</b>							
Nonfortified	17,365,156	2,129,277	15,235,879	208,190,151	166,193,654	1,023,211,000	733,389,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	38,227,000
<b>TOTAL</b>	<b>17,365,156</b>	<b>2,129,277</b>	<b>15,235,879</b>	<b>208,190,151</b>	<b>166,193,654</b>	<b>1,069,602,000</b>	<b>771,616,000</b>

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

	MILKFAT*	SKIM**	MILKFAT*	SKIM**
	BASIS	SOLIDS	BASIS	SOLIDS
WEEK OF FEBRUARY 10 - 14, 2003 =	-22.1	183.4	COMPARABLE PERIOD IN 2002 =	4.3
CUMULATIVE SINCE OCTOBER 1, 2002 =	141.8	2,502.7	CUMULATIVE SAME PERIOD LAST YEAR =	36.6
CUMULATIVE JANUARY 1 - FEBRUARY 14, 2003 =	67.7	1,237.1	COMPARABLE CALENDAR YEAR 2002 =	19.6
				228.5
				1,934.5
				1,038.6

\* 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 FEBRUARY 10 - 14, 2003 (POUNDS)**

REGION	BUTTER				CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED	
CENTRAL	-0-	-0-	-0-	-0-	-0-	633,600	459,464	-0-	
WEST	-1,437,889	-0-	-0-	-0-	-0-	-0-	13,471,678	-0-	
EAST	-0-	-0-	-0-	-0-	-0-	-0-	1,304,737	-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
CENTRAL	-0-	-0-	7,326,000	-0-	4,985,012	5,249,274	48.4	3.1
WEST	1,015,455	-0-	681,269	-0-	199,534,051	157,855,573	51.0	95.1
EAST	-0-	-0-	-0-	-0-	3,671,088	3,088,807	0.6	1.8
<b>TOTAL</b>	<b>1,015,455</b>	<b>-0-</b>	<b>8,007,269</b>	<b>-0-</b>	<b>208,190,151</b>	<b>166,193,654</b>	<b>100.0</b>	<b>100.0</b>

**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 01/25/03 & Comparable Week 2002**

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		
2003-Dairy	0.2	0.8	7.7	4.7	22.5	3.0	0.3	0.7	16.5	2.8	59.3	234.9	49.5	49.0
2002-Dairy	0.2	0.7	6.2	4.1	19.3	2.9	0.5	1.0	13.6	2.7	51.2	214.2	47.7	46.7
2003-All cows	0.3	0.9	10.3	14.2	34.3	15.7	14.9	3.5	18.6	7.0	119.7	479.5		
2002-All cows	0.2	0.8	8.6	12.1	29.2	13.5	15.4	6.0	15.1	6.4	107.3	458.4		

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 - 2003 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2003	FEB 2003
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	10.56	10.23
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14	11.07	10.91	11.12	11.26	11.62	11.29	
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74	9.78	
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41	10.22	10.50	10.58	10.49	10.07	

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](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)