

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/25):**

**BUTTER:** Grade AA closed at \$1.3175. The weekly average for Grade AA is \$1.3175 (-.0492).

**CHEESE:** Barrels closed at \$1.3500 and blocks at \$1.3850. The weekly average for barrels is \$1.3500 (+.0265) and blocks, \$1.3888 (+.0243).

**NONFAT DRY MILK:** Extra Grade closed at \$0.9900 and Grade A closed at \$1.0000. The weekly average for Extra Grade is \$0.9900 (N.C.) and Grade A, \$1.0000 (N.C.).

**BUTTER:** Butter markets are weak. The cash price at the CME continues to decline. Butter handlers are stating that this is the direction that they had anticipated earlier. Churning schedules are seasonally quite active across the country. In many instances, butter production is surpassing demand thus additional volumes are entering storage programs. December cold storage figures indicate that butter stocks at the end of the month were more than twice the level of the previous year, thus current surpluses are enhancing these volumes. During calendar year 2001, imports of butter subject to licensing requirements totaled 15,014,591 pounds compared to 15,313,022 pounds during 2000. The annual quota for the year is nearly 15.4 million pounds. Imports of high-tier (over quota) butter totaled 26,064,641 pounds compared to 272,128 pounds during the previous 12 months. Overall butter demand is centering around short term or immediate needs.

**CHEESE:** The cheese market is steady with an unsettled undertone. Overall, natural demand is steady to often slower. Recent price increases have buyers wary of building inventory and most make purchases just for short term needs. Natural bulk cheese supplies have increased as speculative orders have slowed. Mozzarella interest is mixed with spot offerings increasing. Process sales are about steady overall. Barrel supplies are generally tight to adequate. Current cheese production levels are steady to seasonally higher.

**FLUID MILK:** Plant milk receipts are increasing steadily through the Southeast and Northeast. In the Upper Midwest, receipts are steady to showing just slight seasonal increases. In New Mexico and Arizona, current receipts are steady to slightly higher. In Central and Southern California, cooler and often dryer weather has been conducive to milk production. From Northern California up through the Pacific Northwest, rainy winter conditions continue to impact milk production through herd health issues. Class I sales to school accounts were slower early in the week as many schools were closed for the holiday on Monday. Many manufacturing plants operated on slightly heavier schedules. Cream offerings are burdensome with price discounts noted to find churning capacity. Many ice cream manufacturers are still reluctant to boost production at current butter/cream prices.

**DRY PRODUCTS:** The whey market is weak and prices are lower. Demand remains slow domestically though the lower prices are sparking increased international interest. Whey production is fairly steady though inventories continue to build for many producers. The WPC market is weak with demand tempered by the anticipated results of the animal feed NDM sellback by CCC and high protein WPC imports. The lactose market is steady

and prices unchanged. Spot purchases are nominal with stocks in balance to slightly higher. The NDM market is steady to weak. Buyers are reluctant to make more than very near term purchases due to the continued uncertainty over a possible tilt adjustment. Current drying schedules remain active and surplus volumes continue to clear to CCC. The buttermilk market is weak as increased offerings meet with little interest, even at lower prices. The whole milk market is steady to firm. A few producers with dryer time are making larger volumes of whole milk as a way of using some extra butterfat rather than trying to sell cream.

**CCC:** During the holiday-abbreviated week of January 21 – 25, adjusted purchases totaled 13,209,540 pounds of NDM. Of the total, 121,418 pounds originated in the East, 1,009,902 pounds from the Midwest and 12,078,220 pounds from the West.

**COLD STORAGE (NASS):** December 2001 U.S. cold storage holdings of butter total 52.6 million pounds, 2% less than November, but more than double last December. Natural American cheese holdings total 444.8 million pounds, 2% more than November but 15% less than a year ago. Nonfat dry milk holdings at the end of November total 871 million pounds, 14 million pounds less than October though 240 million pounds more than last November.

**DAIRY SITUATION AND OUTLOOK (USDA, ERS):** Milk production is back to year-earlier levels in November after 12 months of declines. November milk cow numbers were more than 1% below a year ago and slightly less than spring levels. The lack of acceptable dairy heifers has slowed bringing new facilities into full production and may have deterred some expansions, particularly where supplies of acceptable forage also were in question. Pent up expansion pressure from this year will support milk cow numbers in 2002, as the expected lower returns are unlikely to delay filling up expanded capacity. In addition, a significant number of producers will have both favorable long-run prospects and substantial cash savings from 2001. Dairy farm exits may be a bit more numerous in 2002 than they were this year, but probably will be moderate. Returns probably will not drop to 2000 levels, and even the weaker farms have been given more staying power as a result of their returns of recent years. Milk cow numbers are projected to decline only fractionally in 2002, following a 1% decrease in 2001. Milk per cow has been weak in 2001, despite high milk-feed price ratios. Insufficient replacement heifers to maintain normal culling also may have played a role, as tail-end cows were kept longer and some poorer heifer prospects may have been given a chance. Although autumn milk per cow was above a year earlier, growth remained well below trend. Milk-feed price ratios will stay fairly favorable, even if considerably below this year's levels. Output per cow is projected to rise 3% or more, resulting in an increase in milk production of 2 - 3%. Dairy demand in 2002 remains quite uncertain but is expected to absorb the projected production increase without too drastic price drops. Farmers will receive an average of about \$15 per cwt. of milk in 2001. Milk prices are expected to decline less than \$2 per cwt. in 2002 and remain about \$1 above those of 2000.

**\*\*\*SPECIALS 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 JANUARY 21	TUESDAY JANUARY 22	WEDNESDAY JANUARY 23	THURSDAY JANUARY 24	FRIDAY JANUARY 25	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	NO	\$1.3500 (N.C.)	\$1.3500 (N.C.)	\$1.3500 (N.C.)	\$1.3500 (N.C.)	N.C.	\$1.3500 (+.0265)
40# BLOCKS		\$1.3900 (N.C.)	\$1.3900 (N.C.)	\$1.3900 (N.C.)	\$1.3850 (-.0050)	-.0050	\$1.3888 (+.0243)
BUTTER GRADE AA	TRADING	----	\$1.3175 (-.0225)	----	\$1.3175 (N.C.)	-.0225	\$1.3175 (-.0492)

\*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: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, JANUARY 21, 2001

NO TRADING - HOLIDAY

TUESDAY, JANUARY 22, 2002

CHEESE — SALES: 4 CARS 40# BLOCKS: 1 @ \$1.3900, 1 @ \$1.3800, 2 @ \$1.3900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 23, 2002

CHEESE — SALES: 1 CAR BARRELS @ \$1.3550; 2 CARS 40# BLOCKS @ \$1.3900; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.3500

BUTTER — SALES: 8 CARS GRADE AA: 2 @ \$1.3025, 1 @ \$1.3100, 2 @ \$1.3200, 1 @ \$1.3175, 1 @ \$1.3200, 1 @ \$1.3175; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.2575, 1 @ \$1.2500, 1 @ \$1.2400; OFFERS UNCOVERED: 7 CARS GRADE AA: 2 @ \$1.3350, 4 @ \$1.3400, 1 @ \$1.3500

THURSDAY, JANUARY 24, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3900

FRIDAY, JANUARY 25, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 1 @ \$1.3850, 2 @ \$1.3900

BUTTER — SALES: 4 CARS GRADE AA @ \$1.3175; BIDS UNFILLED: 3 CARS GRADE AA @ \$1.2500; OFFERS UNCOVERED: 4 CARS GRADE AA: 2 @ \$1.3200, 1 @ \$1.3300, 1 @ \$1.3500

**BUTTER MARKETS**

**DECEMBER COLD STORAGE**

According to NASS, December month-ending cold storage figures for butter total 52.6 million pounds, more than double the amount held last December, but 2.5% lighter than November holdings.

**NORTHEAST**

The butter price at the CME started to move lower in cash trading late last week. This is the direction that many producers and handlers were anticipating. Due to the Monday Martin Luther King holiday observance, there was no trading at the exchange, thus most are questioning if the decline will continue. At midweek of last week, some cream suppliers were reporting a shift in cream pricing, which in the past, indicated that a weak market tone prevailed. Cream supplies remain excessive in the Eastern part of the country, thus surplus volumes are moving into the Midwest for processing. Eastern churning remains quite active in those plants that are operational. Stocks of butter are fully sufficient for current buyer needs. Overall buyer interest is fair. Most orders are for short term needs. Sales of bulk butter, f.o.b. East, are reported in a range of 1 – 6 cents over the CME price/average.

**CENTRAL**

Butter markets are weak as the cash butter price at the CME declines. Many handlers are stating that this is the direction the market should have taken much earlier. Churning activity continues to be quite active and production is surpassing current demand. According to NASS, butter inventory figures at the end of December 2001 were more than double December 2000 and continue to build. This trend has many producers quite concerned about building stocks at higher than desired prices, but now handlers are not as concerned and will feel better if the cash

price continues to weaken. During calendar year 2001, imports of butter subject to licensing requirements totaled 15,014,591 pounds compared to 15,313,022 pounds during 2000. The annual quota for the year is 6,977,000 kg, nearly 15.4 million pounds. Imports of high-tier butter totaled 26,064,641 pounds compared to 272,128 pounds during the previous 12 months. Overall butter demand continues to center around short term or immediate needs. Food service orders are somewhat stronger than usual for this time of the year. Many buyers are stating that overall mild winter weather conditions are encouraging away from home eating patterns. Retail orders are seasonally fair, although some scattered retail feature activity is stimulating good sales. Bulk butter for spot sale is selling in a price range of flat - 3 cents per pound over various pricing basis.

**WEST**

Some additional feature activity is noted at various locations. Some contacts are surprised to see features at this particular time of year. Production remains relatively heavy, as cream offerings are heavier than anticipated. Because of heavy cream offerings, active churning, and seasonally heavy stocks, most Western contacts are not surprised to see the softness in cash butter trading at the CME recently. Bulk butter continues to move from west to east. Imports of High Tier butter for calendar year 2001 total 26.1 million pounds, up substantially from 2000. U.S. butter cold storage stocks at the end of December are more than double a year earlier. Weekly CME butter inventories grew by another 7.28 million pounds this past week. Stocks have grown by 21.3 million pounds over the past four weeks. Stocks, in a normal year, grow until the end of March. Current prices for bulk butter range from 5 cents under to flat market based on the CME with various time frames and averages involved.

**NASS DAIRY PRODUCT PRICES  
U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
JANUARY 19	1.2768 8,156,503	1.2786 12,719,039	0.9155 17,492,528	1.3446 4,914,344	0.2763 12,200,897

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

**CHEESE MARKETS**

**NORTHEAST**

Wholesale prices are higher, reflecting recent increases in Chicago Mercantile Exchange cash cheese prices. Eastern cheese production generally remains above year ago levels. Cheese stocks are at least adequate for the generally short-term purchases. Some buyers are less aggressive with replenishing inventories due to recent price increases and the expectation that prices may again weaken by spring. Retail movement remains sluggish with food service business about steady.

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

Cheddar 10# Prints	:	1.4275-1.8975
Cheddar Single Daisies	:	1.3850-1.8450
Cheddar 40# Block	:	1.5250-1.7150
Process 5# Loaf	:	1.5525-1.7150
Process 5# Sliced	:	1.5725-1.8300
Muenster	:	1.5875-1.7950
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

**MIDWEST**

The cheese market is unsettled. Overall, orders have slowed after cash cheese price increases at the Chicago Mercantile Exchange in recent weeks. Cheese stocks are accumulating at some plants, particularly where larger bulk cheese users have cut back on orders due to slower sales. Other plant operators still are current with orders. At least a few large cutters have "offered" to delay receipt on their committed bulk cheddar supplies though few have stopped taking actual deliveries. A couple plant operators have seen a slight rebound in natural sales but not sizeable enough to require extra spot loads. Mozzarella interest has slipped and some milk has been shifted over to cheddar production. Current process demand is irregular, generally about steady on food service and retail. Current cheese production is fairly steady with recent weeks.

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

Process American 5# Loaf	:	1.5425-1.6500
Brick And/Or Muenster 5#	:	1.6300-1.9275
Cheddar 40# Block	:	1.6100-2.1150
Monterey Jack 10#	:	1.8300-2.1150
Blue 5#	:	2.1175-2.3300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6500-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0675-2.6850

**MIDWEST COMMODITY CHEDDAR**

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

CHEDDAR STYLES	:	JANUARY 21 - 25, 2002
BARRELS*	:	\$1.3325 - 1.3600 (NOMINAL)
	:	(\$ .0275) (.0325)
40# BLOCKS	:	\$1.3650 - 1.3900 (NOMINAL)
	:	(\$ .0475) (.0425)

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

**WEST**

Prices for both process and natural cheese continue to increase weekly based on CME cash cheese trading activity. Regular cheese demand remains very good. End users went into the end of the fourth quarter with low stocks and have not seen an appropriate time to build on them. Therefore, they really need to continue to buy cheese on a regular basis. Offerings of cheese are not heavy. There is enough cheese to cover regular needs in a timely fashion. Some note that some added barrel cheese might be showing up on the market in the past week, as process cheese demand may be slower in instances. Production of cheese is at expectations or a little lower. High Tier imports of the nine categories of cheese for calendar 2001 are up almost 2 1/2 times over the volumes of 2000. Stocks of American cheese in cold storage warehouses at the end of December total 444.8 million pounds, down 15% or 78 million pounds from a year earlier. These December stocks are the lowest in four years. Swiss stocks of cheese on December 31 were 12.1 million pounds, down 14% from the same period last year.

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

Process 5# Loaf	:	1.4775-1.7375
Cheddar 40# Block	:	1.4850-1.6250
Cheddar 10# Cuts	:	1.6650-1.8850
Monterey Jack 10#	:	1.6750-1.8350
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.5300

**FOREIGN**

Domestic prices are higher and imported prices unchanged. Imported cheese movement is showing the usual post-holiday slower demand. Current stocks are generally at least adequate for needs. Calendar year 2001 U.S. cheese imports total 18,620,791 kilograms (KG), more than double the 7,847,558 KGs imported during 2000. Of the 9 cheese categories, only Edam/Gouda and Gruyere-Processed were higher in 2000 than in 2001.

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

	:	<b>NEW YORK</b>	
VARIETY	:	IMPORTED	DOMESTIC
	:		
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.1400	1.7300-3.2250*
Gorgonzola	:	3.2400-5.9400	2.2300-2.4900*
Parmesan (Italy)	:	TFEWR	3.1475-3.2000*
Romano (Italy)	:	2.1000-2.9900	-0-
Provolone (Italy)	:	3.4400-5.5000	1.7375-1.9475*
Romano (Cows Milk)	:	-0-	2.9225-5.1025*
Sardo Romano (Argentine)	:	2.6500-3.2900	-0-
Reggianito (Argentine)	:	2.6500-3.2900	-0-
Jarlsberg-(Brand)	:	2.7500-3.5900	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
Swiss Cuts Finnish	:	2.5900-2.8500	-0-
Swiss Cuts Austrian	:	2.2500-2.7500	-0-
Edam	:		
2 Pound	:	TFEWR	-0-
4 Pound	:	2.1900-2.9500	-0-
Gouda, Large	:	2.3900-2.6800	-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
01/21/02	24,237	:	123,980
01/01/02	13,010	:	118,187
CHANGE	11,227	:	5,793
% CHANGE	86	:	5

## 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	0	25	0	0	93
SOUTHEAST STATES	0	0	0	23	0	0

During December, milk production in the 20 major states totaled 11.97 billion pounds, up 1.0% from December 2000. The following are the December-to-December changes for selected states: New York +2.9%, Vermont +1.3%, Pennsylvania +1.2%, Kentucky +0.7%, Virginia +0.6%, Florida -2.4%, and Texas -4.7%. Preliminary milk production figures for the U.S. during 2001 totals 165.39 billion pounds, 1.4% less than 2000. The base price for Class I milk for February 2002 is \$11.95 per cwt., down \$0.01 from January. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for February is \$7.69, down five cents from January. Milk production is inching higher in the northern sections of the East. More noticeable gains are reported in Florida and other Southeastern states. Bottled milk sales are mixed. In the Middle Atlantic and New England areas, a weekend snowstorm caused a rather widespread area of panic buying and bottling plants were running full out to keep pace with demand. However, by midweek, store shelves and the distribution pipelines were full and bottling dropped to almost nothing. One contact, after looking at orders, wondered why they bothered to start up on Wednesday. In the Southeast, bottled milk sales are fair at best. Florida's need for milk fell as milk output increased and handlers find themselves in a balanced position. Southeastern manufacturing plants are operating on heavier schedules, but are able to handle all the milk. Surplus milk volumes in the Northeast are again heavy after a light weekend. The condensed skim market is little changed. Demand is fair and prices steady. Offerings of wet solids are heavy and more is ending up in dryers. The fluid cream market remains weak. Offerings are excessive and clearances to churning facilities remain heavy. Spot sales of Class II cream are rare occurrences. Lower multiples are being used to offset last week's butter price increase. Butter makers are paying lower multiples based on the CME butter market a week or so in the future. Most users anticipate lower butter/cream prices and are holding off on spot purchases as long as possible.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.6127-1.7767
DELIVERED EQUIVALENT ATLANTA	-	1.6400-1.7904 M 1.6400-1.6674
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.6674-1.8040

## PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9700-1.0500
NORTHEAST- CLASS III - SPOT PRICES	- .9200- .9900

## M I D W E S T

Class I demand was steady to slower. With a number of schools closed for the holiday on Monday, Class I sales were sluggish despite scattered retail promotional activity. Cottage cheese production was fairly good as well as dips made for upcoming Super Bowl activities. Extra milk was being cleared by bottlers into manufacturing channels. Manufacturing milk interest was often lighter and some sellers reduced premiums in order to clear extra loads. Spot prices ranged from just slightly below class up to \$1.70 over class, but most were at least \$1.00 over. Class II milk and cream interest remains light. Ice cream production remains seasonally light as many producers wait for lower butter prices before really boosting production levels. Condensed skim is moving fairly well with prices ranging from \$.95 - 1.05. Milk supplies are at least adequate for current needs. Weakness in butter prices and some slowing in cheese sales have hurt manufactured milk interest. Manufacturing milk interest is spotty with some regular buyers less aggressive. Cream supplies

are burdensome and large volumes are clearing to churns, often at sharply reduced multiples. Current milk intakes are nearly flat on a week-to-week basis in the upper tier of states with the increases more discernable further south in the region. The return of above normal temperatures, caused the snow cover to decline or disappear, depending on location. The warmer weather allowed lots to be cleaned though hauling manure can be challenging with greasy surface conditions.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 37.00- 42.00	\$ 39.00- 45.00
REPLACEMENT HEIFER CALVES	\$480.00-650.00	\$220.00-330.00

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

	JAN 17 - 23	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 44.50	\$ 35.00- 47.00

## W E S T

Fourth quarter 2001 output for selected Western states compared to a year earlier is as follows: Arizona +3.1%, California +4.4%, Colorado +0.8%, Idaho +7.8%, New Mexico +11.2%, Oregon +17.1%, Utah +0.7%, and Washington +0.4%. Fourth quarter milk production has begun to rebound for many Western states, for some, enough to push the whole year positive. The major upturn in Oregon is related to the new cheese plant opening and new dairy farms opening in the area to supply the milk. With fourth quarter numbers available, it is possible to calculate an adjusted 2001 comparison for the selected states which is as follows: Arizona -4.1%, California +3.2%, Colorado +2.2%, Idaho +7.6%, New Mexico +6.5%, Oregon +3.2%, Utah -2.9%, and Washington -1.2%. CALIFORNIA milk output is ranging mostly steady to slightly higher. Increases in milk are most often linked to more cows on farms than any significant increases in milk output per cow. Feed quality and weather conditions are the biggest limiting factors along with time in milk, lower milk prices and marginal producers in herds. In the NORTHERN milk producing areas, seasonal rains and winter conditions are impacting milk output at expected levels. Cooler, but dryer, weather is prominent over the CENTRAL VALLEY. There are more intermediate foggy days and the conditions are dryer than in recent weeks. Cows are generally showing limited response to conditions. In the SOUTHERN part of the state, cooler and windy weather is proving to have only minor initial impact on milk intakes. An increased number of fresh cows are noted and this is increasing milk supplies. Class I demand has leveled off. Production plants in the state are running efficiently. NEW MEXICO milk output is mostly steady after seeing a slight increase last week. Shipments to bottlers have leveled off. Plants are working on steady schedules. ARIZONA milk production remains mostly steady but is beginning to trend slightly higher. Weather patterns remain highly conducive for milk cow comfort and some herds are seeing responses. Plants are running as anticipated. There are heavy offerings of CREAM available in the WEST. Butter prices have dropped at the CME and buying interest for cream has waned. Buyers don't want to make high priced products and are negotiating cream prices lower to minimize exposure. Trucking and tankers are available. Western multiples are in a wide range of 104 to 124, FOB. The PACIFIC NORTHWEST continues to get rain, snow, and hail. Producers continue to report herd health issues related to the wet conditions. They also report the milk production is improving because of the warm conditions for the middle of January. Any concerns about water supplies for the upcoming cropping season are fast disappearing. Snow is again common over much of NORTHERN UTAH and SOUTHERN IDAHO. The moisture continues to be very welcome. Moisture levels compared to last year are not as good as in other areas of the West. Much more moisture is needed to assure a good crop year and continue the anticipated growth in milk production. Some contacts were noting that offering prices on good quality hay were a bit softer this week than noted earlier. They do not believe that this indicates a general slow down in hay demand.

**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 steady to weak market. Some plants are holding prices steady yet bids are considerably lower. At other locations, prices are lower in order to clear stocks and compete with Western product. Central sales to the CCC were reported for the current week while no sales were reported for the week prior. As prices converge with the support price, manufacturers are expressing greater interest in producing product for the government, especially as the potential tilt change remains omnipresent. Production is steady to higher as warm weather encourages milk output. High heat demand is fair for the mostly contractual interest.

**EAST:** Prices are generally steady, but the market tone remains unsettled. Production levels are heavy and producer stocks are building. Most plant contacts report continued heavy supplies of surplus milk and dryers, though not at capacity, are operating daily. Demand is slow to fair and mostly for replacement needs. The specter of a tilt change by CCC has many buyers reluctant to make spot purchases beyond immediate needs. Of course, this is two months in a row that commercial NDM spot purchases are being "driven" by speculation of a lower support price. Producers want to keep inventories light, but those who choose not to offer to CCC will, in all likelihood, continue to build stocks. Should CCC not change the tilt this month, contacts see a continuation of current conditions.

Includes EXTRA GRADE and GRADE A

F.O.B. CENTRAL/EAST:  
 LOW/MEDIUM HEAT: .9000 - .9725 MOSTLY: .9300 - .9700  
 HIGH HEAT: .9600 - 1.0350

**NONFAT DRY MILK - WEST**

Low/medium heat NDM prices are slightly lower on the top end of the range in generally light spot trading. The overall market tone continues to be weak. There are more indications that the buyers are reluctant to make purchases beyond their immediate needs. While the main reason is the expectation of a tilt, the reality is that pricing pressures are pointing to lower spot and contract prices ahead. Heavy offerings continue to the price support program. More milk is being placed in cheese plants to utilize higher returns for cheese. Drying schedules remain active in the region and continue at a moderate to heavy pace. During the week of January 14 - 18, adjusted support program purchases totaled 11,083,071 million pounds of NDM with 10,421,248 pounds from the West. High heat prices are higher in light trading. Supplies and demand are balanced at light levels. Drying remains limited and stocks continue to be light.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8950 - 1.0050 MOSTLY: .9000 - .9250  
 HIGH HEAT: .9550 - 1.0100

**CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 18	\$.9032	13,446,252	8,390,111
January 11	\$.9042	14,298,391	8,989,234

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 to lower and nominal on a weak market. Buyers are generally resisting the current market with offers noted at .8800 FOB. Suppliers are unable to gage what price will readily clear supplies. Producer invitation to make a bid is being met with buyer non-response. Stocks are mixed with some manufacturers in good balance while others are running long. Buttermilk product offered at substantial discounts is difficult to clear. Condensed buttermilk movement is increasing into Southern ice cream facilities. However, production of dry buttermilk is steady at most locations.

BUTTERMILK: .9300 - 1.0150

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are often lower and the market tone is weak. Northeastern prices are nominal as few spot sales are being reported. Production levels have been rising as churning activity holds heavier than many had anticipated after the holidays. Producer stocks are building, though still manageable. Reportedly, some Midwestern producers have heavy inventories to clear. Spot demand is sluggish as buyers wait for lower prices. Buyer resistance to current prices, even the lower offers, is causing more producers to assess their prices and to get them more in line with those seen in the Midwest.

F.O.B. NORTHEAST: .9500 - 1.0250  
 DELVD SOUTHEAST: .9700 - 1.0400

**DRY BUTTERMILK - WEST**

Dry buttermilk prices continue to trend lower for both the range and mostly series. The market tone remains weak. Producer offerings are higher than the limited demand. Pricing levels are not moving down as quickly as in other regions. This is due in part because of the number of contract sales and the lack of spot movements. Drying schedules are steady to often higher as butter production remains active. Stocks run a wide range of availability among manufacturers, but are higher.

BUTTERMILK: 1.0050 - 1.0650 MOSTLY: 1.0100 - 1.0200

**DRY WHOLE MILK - NATIONAL**

Prices are steady to higher and nominal. The market tone is little changed. In the East, producers that have the dryer-time are increasing output as means of easing the glut of butterfat. Clearing fluid cream is currently a money losing proposition and the production of dry whole milk is clearing some of the butterfat. Spot demand for dry whole milk is generally slow to fair. Producer stocks are light, but increasing at some locations.

F.O.B. PRODUCING PLANT: 1.1900 - 1.2900

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2001 THROUGH JANUARY 18, 2002  
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-	26,532	MT (58,492,447 LBS)
CHANGE	-	225	MT (496,035 LBS)
CHEESE	--	3,030	MT (6,679,938 LBS)

This program-year allocation is filled.

Allocations for the DEIP year beginning July 1, 2001: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT.

**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. Stocks are heavy and movement is slow. Plants are discounting in order to gain market share before the competition. Multiple load shipments are clearing into some brokerage facilities. Some feed users are also picking up discounted loads. However, some buyers are running long on current stocks and unable to partake in the spot market. Contractual buyers are delaying shipments, especially when contracts are based on the average, in order to gain better pricing for whey. Some Midwest product is being offered to Western buyers at non-competitive prices. Production is mostly steady yet stocks are building. Neither buyer nor seller is able to project movement in the long-term.

NONHYGROSCOPIC: .2200 - .2750 MOSTLY: .2400 - .2600

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices continue to move lower and the market tone is weak. Production levels are holding up higher than many had thought. More Eastern producers have dry whey to offer and they are offering at lower prices to keep product moving out the door. Just four to five weeks ago, most Eastern producers were in a deficit position and barely able to meet contracts. During the holidays, cheese output increased significantly and demand for dry whey held at lackluster levels. The combination of the above has been felt in all regions of the country and resulted in a quickly weakening market. Lower offering prices are not garnering too much new interest and spot buyers are in a wait and see posture. In market conditions like we currently see, it is not uncommon for buyers to temporarily step away from the market to see where prices will "settle out." Grade A producers are in a slightly better supply position, but they also have spot loads available for immediate shipment.

F.O.B. NORTHEAST:	EXTRA GRADE	.2625 - .2800
	USPH GRADE A	.2850 - .3025
DELVD SOUTHEAST:		.2750 - .3000

**DRY WHEY - WEST**

Prices continue to decline for Western whey powder. The lower prices are having the desired effect for some manufacturers and brokers in that Inquiries and sales to overseas markets are improving. Inventories at some locations are indicated to be in reasonably good shape, but at others, stocks are still a major concern. Production levels of whey powder are at expected seasonal levels. Calls have been received from Central producers offering powder for sale, but most of the pricing has been at noncompetitive levels.

NONHYGROSCOPIC: .2200 - .2550 MOSTLY: .2200 - .2400

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged to lower on a steady to weak market. Milk replacer supplies are limited for the fair interest. Roller ground prices are adjusting to decreases in the Extra Grade market. Supplies are mostly in balance for the light interest. Delactose production and movement are generally unchanged. Some buyers believe that with the lower WPC and whey prices, the delactose market should also adjust. However, producers report tight supplies and an apathetic attitude toward changing the market as delactose prices did not follow WPC to the market highs reported in 2001. The early weaned pig market is steady to firm and North Central veal prices are trading higher.

MILK REPLACER:	.2050 - .2600
ROLLER GROUND:	.2575 - .2725
DELACTOSE (Min. 20% protein):	.4150 - .4300

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are lower on a weak market. Movement is generally light as buyers await the announcement of CCC NDM awards 1/25/02. The increased movement of high protein from New Zealand is also reducing WPC 34% interest. For the current week, New Zealand 80% is reportedly being delivered into the US at predominantly 1.40 - 1.50. Using the current whey price, this reverts back to 62-65 cents on a 34% delivered equivalent basis. Production is mostly steady. Offering prices are meeting resistance from brokers, even at substantial discounts. Non-kosher product readily cleared at the lower end of the range. Low protein and off grade supplies are higher than the week prior and readily available for the light interest.

EXTRA GRADE 34% PROTEIN: .5500 - .6675 MOSTLY: .6500 - .6675

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a mostly steady market. Spot activity is nominal on steady production schedules. Stocks are in balance to slightly higher. While some traders are unable to find available product, others are being offered multiple load shipments at a discount. With decreases in the whey market and continued resistance into some markets in Asia, some traders anticipate that more product will become available. Non-kosher product is readily available for the light interest. Off grade availability for the current week is generally limited and difficult to find. Permeate, a substitute for lactose and whey into feed facilities, is trending tight and clearing well into export markets.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.  
EDIBLE: .2000 - .2800 MOSTLY: .2075 - .2375

**CASEIN - NATIONAL**

Casein markets are mixed, although prices are unchanged. Stocks of rennet are reported to be in the tightest position with acid supplies more readily available. Oceania production is following seasonal trends with most sources reporting their production schedules to be as anticipated. In Europe, the new milk production season is about to resume, thus current shipments are basically being filled from inventoried stocks. As the new milk production season nears, some European producers are anticipating casein production to be more positive than last season. Producers indicate that low international dairy product prices might encourage milk handlers to seek products with a better return for milk placement.

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

RENNET:	2.3500 - 2.5000
ACID:	2.1800 - 2.3500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are steady. Production levels are about steady as surplus milk volumes are still quite heavy. Demand is slow to fair, and typical for this time of year. Producer stocks are light and most producers are replenishing their holiday-depleted inventories.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 33.00  
Excluding promotional and other sales allowances. Including new price announcements.

**MONTHLY COLD STORAGE REPORT – TOTAL U.S. STOCKS**

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

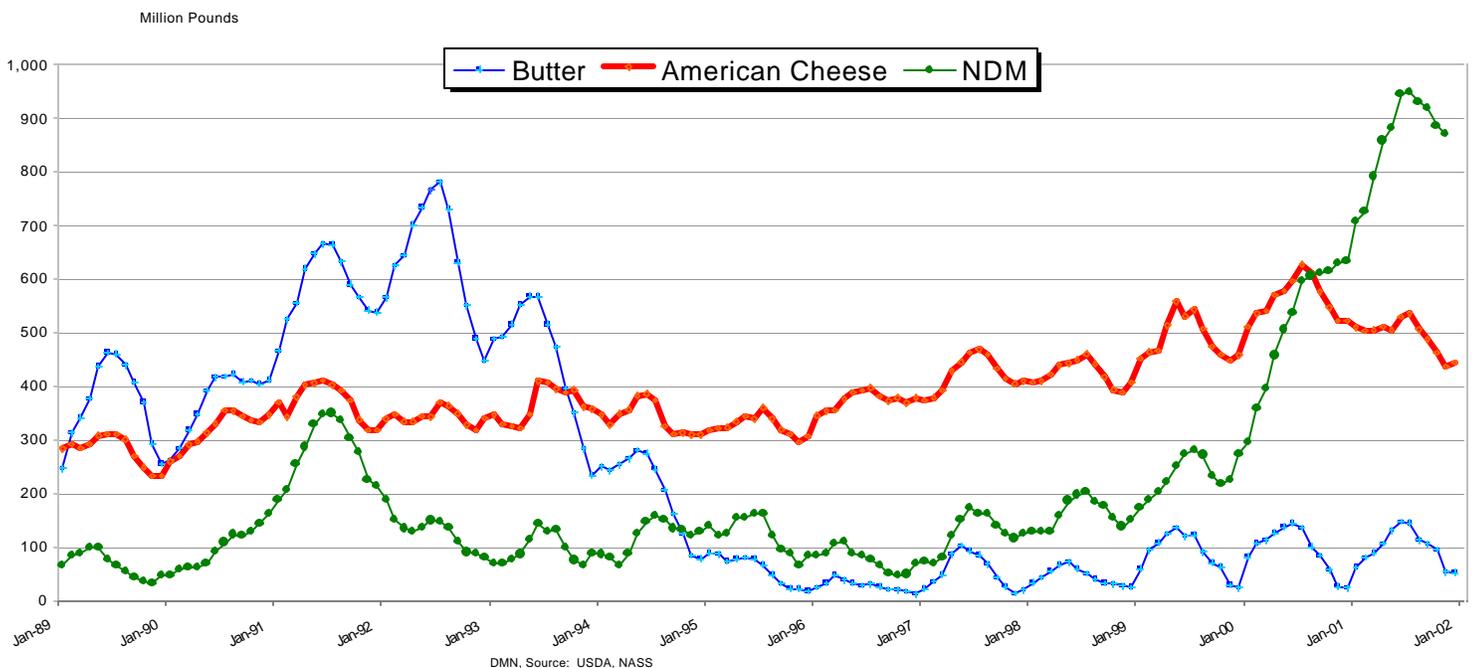
All stocks in thousand pounds except where otherwise indicated

<b>U.S. HOLDINGS OF DAIRY PRODUCTS</b>						
COMMODITY	NOV 30, 1999	NOV 30, 2000	REVISED NOV 30, 2001	DEC 31, 1999	DEC 31, 2000	DEC 31, 2001
Butter	30,184	27,280	53,916	25,082	24,115	52,590
Cheese, Natural American	448,250	522,534	437,519	457,990	522,625	444,773
Cheese, Swiss	9,075	14,080	11,335	8,381	14,186	12,140
Cheese, Other Natural	134,397	159,365	184,995	154,890	171,000	198,759
<b>U.S. GOVERNMENT OWNED COLD STORAGE HOLDINGS</b>						
Butter	313	188	341	223	142	436
Natural American Cheese	24	706	207	18	1,494	760

<b>DECEMBER COLD STORAGE HOLDINGS BY REGION</b>									
REGION	Natural American Cheese			Butter *			Other Natural Cheese		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
New England	19,594	19,562	19,803	---	---	---	577	485	588
Middle Atlantic	38,671	45,944	54,753	---	---	---	7,110	11,212	33,186
East North Central	219,909	263,053	176,119	---	---	---	80,374	82,117	94,441
West North Central	97,261	91,008	89,649	---	---	---	51,391	54,544	56,776
South Atlantic	784	6,351	3,998	---	---	---	2,603	465	176
East South Central	0	0	278	---	---	---	150	153	156
West South Central	302	2,054	2,552	---	---	---	179	355	232
Mountain	10,346	13,506	12,862	---	---	---	276	7,233	2,534
Pacific	71,123	81,147	84,759	---	---	---	12,230	14,436	10,670
<b>TOTAL</b>	<b>457,990</b>	<b>522,625</b>	<b>444,773</b>	<b>25,082</b>	<b>24,115</b>	<b>52,590</b>	<b>154,890</b>	<b>171,000</b>	<b>198,759</b>

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

**U.S. Cold Storage Holdings**



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 2000 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	Million Pounds						Million Pounds						Million Pounds					
January	64	82	63	82	<u>3/</u>	<u>3/</u>	510	512	508	512	2	<u>3/</u>	708	296	145	146	563	150
February	81	108	81	107	<u>3/</u>	<u>3/</u>	505	536	503	536	2	<u>3/</u>	726	359	138	173	589	186
March	90	114	90	114	1	<u>3/</u>	505	541	503	541	2	<u>3/</u>	791	395	123	168	668	227
April	108	127	107	127	1	<u>3/</u>	511	570	509	570	2	<u>3/</u>	858	458	127	197	731	260
May	132	138	132	138	1	<u>3/</u>	506	578	504	578	2	<u>3/</u>	882	506	134	197	747	309
June	148	146	147	145	1	<u>3/</u>	530	597	528	597	2	<u>3/</u>	945	537	166	171	779	366
July	145	137	145	137	1	<u>3/</u>	536	628	534	628	2	<u>3/</u>	950	596	147	190	803	406
August	113	101	112	101	1	<u>3/</u>	507	610	505	609	2	<u>3/</u>	930	606	109	152	821	454
September	106	85	106	85	<u>3/</u>	<u>3/</u>	488	577	486	576	1	1	918	611	103	130	815	481
October	96	58	95	58	<u>3/</u>	<u>3/</u>	463	547	462	546	1	1	885	614	100	121	785	493
November	54	27	54	27	<u>3/</u>	<u>3/</u>	438	523	437	522	<u>3/</u>	1	871	631	102	110	769	521
December	53	24	52	24	<u>3/</u>	<u>3/</u>	445	523	444	521	1	1	635			119		516

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

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Nov 30, 1999	Nov 30, 2000	Nov 30, 2001	Dec 31, 1999	Dec 31, 2000	Dec 31, 2001
	Thousand Pounds					
Butter	29,871	27,092	53,575	24,859	23,973	52,154
Natural American Cheese	448,226	521,828	437,312	457,972	521,131	444,013

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

SOURCE: "Cold Storage," Co St 1 (1-02) and "Dairy Products," Da 2-6 (1-02), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Farm Service Agency.

ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, ANNUAL AVERAGES, 1998-2001 <sup>1/</sup>												
CITY	1998			1999			2000			2001		
	Coop.	Federal Order	Difference	Coop.	Federal Order	Difference	Coop.	Federal Order	Difference	Coop.	Federal Order	Difference
	Dollars Per Hundredweight											
Atlanta, GA	17.78	16.62	1.16	17.94	16.74	1.20	16.11	14.65	1.46	18.31	17.37	0.94
Baltimore, MD	17.74	16.57	1.17	17.71	16.69	1.02	16.01	14.55	1.46	18.92	17.27	1.65
Boston, MA <sup>2/</sup>	17.30	16.78	0.52	17.38	16.90	0.48	15.28	14.80	0.48	18.53	17.52	1.01
Carbondale, IL	17.18	15.55	1.63	17.36	15.67	1.69	15.47	13.75	1.72	18.18	16.47	1.71
Charlotte, NC	17.78	16.62	1.16	17.94	16.74	1.20	16.11	14.65	1.46	18.31	17.37	0.94
Chicago, IL	16.69	14.94	1.75	16.94	15.06	1.88	15.18	13.35	1.83	17.85	16.07	1.78
Cincinnati, OH	17.40	15.65	1.75	17.53	15.77	1.76	15.56	13.75	1.81	18.24	16.47	1.77
Cleveland, OH	17.17	15.54	1.63	17.18	15.66	1.52	15.25	13.55	1.70	18.04	16.27	1.77
Dallas, TX	16.97	16.70	0.27	17.26	16.82	0.44	15.50	14.55	0.95	17.61	17.27	0.34
Denver, CO	16.48	16.27	0.21	17.72	16.39	1.33	14.76	14.10	0.66	17.56	16.82	0.74
Des Moines, IA	16.00	15.09	0.91	16.43	15.21	1.22	14.55	13.35	1.20	17.26	16.07	1.19
Detroit, MI	16.35	15.39	0.96	16.58	15.51	1.07	14.54	13.35	1.19	17.11	16.07	1.04
Hartford, CT <sup>2/</sup>	17.20	16.68	0.52	17.28	16.80	0.48	15.18	14.70	0.48	18.43	17.42	1.01
Houston, TX	17.51	17.24	0.27	17.80	17.36	0.44	16.10	15.15	0.95	18.21	17.87	0.34
Indianapolis, IN	17.09	15.44	1.65	17.13	15.56	1.57	15.35	13.55	1.80	18.04	16.27	1.77
Kansas City, MO	16.30	15.46	0.84	16.62	15.58	1.04	14.89	13.55	1.34	17.33	16.27	1.06
Louisville, KY	16.65	15.65	1.00	16.84	15.77	1.07	14.94	13.75	1.19	17.49	16.47	1.02
Little Rock, AR/Memphis, TN <sup>3/</sup>	17.15	16.31	0.84	17.26	16.43	0.83	15.50	14.35	1.15	17.76	17.07	0.69
Miami, FL	20.34	17.72	2.62	20.40	17.84	2.56	18.62	15.85	2.77	20.81	18.57	2.24
Milwaukee, WI	16.60	14.85	1.75	16.85	14.97	1.88	15.13	13.30	1.83	17.95	16.02	1.93
Minneapolis, MN	15.63	14.74	0.89	15.98	14.86	1.12	14.43	13.25	1.18	17.30	15.97	1.33
New Orleans, LA	17.74	17.19	0.55	17.92	17.31	0.61	16.26	15.15	1.11	18.44	17.87	0.57
Oklahoma City, OK	17.00	16.31	0.69	17.46	16.43	1.03	15.33	14.15	1.18	17.71	16.87	0.84
Omaha, NE	16.13	15.29	0.84	16.52	15.41	1.11	14.57	13.40	1.17	17.31	16.12	1.19
Philadelphia, PA	17.77	16.63	1.14	17.79	16.75	1.04	16.15	14.60	1.55	19.09	17.32	1.77
Phoenix, AZ	16.06	16.06	0.00	16.23	16.18	0.05	14.32	13.90	0.42	16.77	16.62	0.15
Pittsburgh, PA	16.43	15.54	0.89	16.40	15.66	0.74	15.10	13.65	1.45	18.47	16.37	2.10
St. Louis, MO	16.77	15.52	1.25	17.36	15.67	1.69	15.26	13.55	1.71	17.98	16.27	1.71
Salt Lake City, UT	15.67	15.44	0.23	15.84	15.56	0.28	13.70	13.45	0.25	16.43	16.17	0.26
Seattle, WA	16.14	15.44	0.70	16.74	15.56	1.18	14.54	13.45	1.09	16.61	16.17	0.44
Spokane, WA	16.34	15.54	0.80	16.74	15.56	1.18	14.54	13.45	1.09	16.61	16.17	0.44
Springfield, MO	16.85	16.01	0.84	16.90	15.85	1.05	14.95	13.75	1.20	17.29	16.47	0.82
Washington, DC	17.54	16.37	1.17	17.71	16.69	1.02	16.01	14.55	1.46	18.92	17.27	1.65
Simple Average	16.96	15.98	0.98	17.20	16.09	1.11	15.31	14.03	1.28	17.91	16.75	1.16

<sup>1/</sup> These figures are simple averages of monthly prices. The cooperative price represents over-order Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and may not apply to all of the Class I sales in these city markets. These data are common market knowledge in the sense that the information represents basic Class I price announcements by the cooperative sent to all handlers who buy milk from them. These announced over-order prices represent charges for various services performed by the cooperative. Announced prices may not include handling or service charges applicable to milk from supply plants. In some instances, the announced over-order prices are not uniform in that competitive credits may be allowed. These prices have not been verified as having been actually paid by handlers. <sup>2/</sup> Data do not include the impact of prices established under the Northeast Dairy Compact. <sup>3/</sup> Prices reported for Memphis, TN beginning January 1, 1999.

### THE DAIRY SITUATION AND OUTLOOK

**2002 Milk Output To Rebound** - Milk production finally made it back to year-earlier levels in November after 12 months of declines. The relatively high milk prices and low concentrate feed prices normally would have been conducive to growth in milk production. However, expanding operations were slowed by very tight supplies of replacement heifers and of high-quality forage. Meanwhile, recent returns have only modestly affected the exit of farmers from dairying, and milk per cow continues to show the effects of forage and weather problems.

November milk cow numbers were more than 1 percent below a year ago and slightly less than spring levels. The shortage of replacement heifers continues. Prices of dairy replacements averaged \$1,700 in October, more than \$300 higher than at any time prior to this year. The lack of acceptable dairy heifers has slowed bringing new facilities into full production and may have deterred some expansions, particularly where supplies of acceptable forage also were in question.

This year's strong returns have slowed the rate of dairy farm exit, but only modestly. Many farms received their last major investment in the eighties and do not have sufficient long-run income prospects to justify needed new investment. In addition, recent replacement cow prices made it a relatively attractive time to sell out.

Pent up expansion pressure from this year will support milk cow numbers in 2002, as the expected lower returns are unlikely to delay filling up expanded capacity. In addition, a significant number of producers will have both favorable long-run prospects and substantial cash savings from 2001. Heifer availability may still be a factor but should be somewhat less troublesome than in 2001. Heifer prices started to rise in late 1999, encouraging farmers to retain as many as possible. These heifers will be available as replacements in early 2002. Also, heifer demand may ease with 2002's lower returns, at least by the second half of the year.

Dairy farm exits may be a bit more numerous in 2002 than they were this year, but probably will be moderate. Although returns will drop from this year's strong levels, the fall is not expected to result in rapid farm exit. Returns probably will not drop to 2000 levels, and even the weaker farms have been given more staying power as a result of their returns of recent years. Milk cow numbers are projected to decline only fractionally in 2002, following a 1-percent decrease in 2001.

Milk per cow has been weak in 2001, despite high milk-feed price ratios. Although there was plenty of incentive to boost concentrate feeding, forage quality and weather problems knocked milk per cow below a year earlier, in the 20 top States, from November 2000 through August 2001. Insufficient replacement heifers to maintain normal culling also may have played a role, as tail-end cows were kept longer and some poorer heifer prospects may have been given a chance. Although autumn milk per cow was above a year earlier, growth remained well below trend.

The uneven quality of the 2001 forage probably will continue to affect milk per cow adversely through mid-2002. Additionally, the herd may continue to contain some cows that normally would have been culled. For these reasons, growth in milk per cow in 2002 is not expected to bounce back to the long-run trend. However, milk per cow should recover substantially if weather problems do not again interfere. Milk-feed price ratios will stay fairly favorable, even if considerably below this year's levels. Output per cow is projected to rise 3 percent or more, resulting in an increase in milk production of 2-3 percent.

Dairy demand in 2002 remains quite uncertain but is expected to absorb the projected production increase without too drastic price drops. Farmers will receive an average of about \$15 per cwt. of milk in 2001. Milk prices are expected to decline less than \$2 per cwt. in 2002 and remain about \$1 above those of 2000.

**SOURCE:** "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-90, December 27, 2001, Economic Research Service, USDA. For more information on the LDP report, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER ADVANCE PRICES, FEBRUARY

**Class I Base Price** -- Under the Federal milk order pricing system, the Class I base price for February 2002 is \$11.95 per cwt. This price is derived from the advanced Class IV skim milk pricing factor of \$6.99 and the advanced butterfat pricing factor of \$1.4860. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** -- The advanced Class IV skim milk pricing factor is \$6.99. Thus, the Class II skim milk price for February is \$7.69 per cwt., and the Class II nonfat solids price is \$0.8544. **Product Price Averages** -- The two-week product price averages for January are; butter \$1.3335, nonfat dry milk \$0.9166, cheese \$1.2740, and dry whey \$0.2810.

FEDERAL MILK ORDER CLASS I PRICE INFORMATION 1/ 2/				
Federal Milk Order Marketing Area 3/	Order Number	February 2002		
		Class I Price (3.5 %)	Class I Skim Milk Price	Class I Butterfat Price
		\$ per cwt.	\$ per cwt.	\$ per pound
Northeast (Boston) 4/	001	15.20	10.24	1.5185
Appalachian (Charlotte) 5/	005	15.05	10.09	1.5170
Southeast (Atlanta) 6/	007	15.05	10.09	1.5170
Florida (Tampa) 7/	006	15.95	10.99	1.5260
Mideast (Cleveland) 8/	033	13.95	8.99	1.5060
Upper Midwest (Chicago) 9/	030	13.75	8.79	1.5040
Central (Kansas City) 10/	032	13.95	8.99	1.5060
Southwest (Dallas) 11/	126	14.95	9.99	1.5160
Arizona-Las Vegas (Phoenix) 12/	131	14.30	9.34	1.5095
Western (Salt Lake City) 13/	135	13.85	8.89	1.5050
Pacific Northwest (Seattle) 14/	124	13.85	8.89	1.5050
All-Market Average		14.53	9.57	1.5118

1/ To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. 2/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. 3/ Names in parentheses are the major city in the principal pricing point of the markets. 4/ Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25; and Washington, DC, minus \$0.25. 5/ Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. 6/ Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. 7/ Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. 8/ Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. 9/ Class I prices at other cities are: Milwaukee, minus 0.05; and Minneapolis, minus, \$0.10. 10/ Class I prices at other cities are: Des Moines, minus 0.20; Omaha, minus 0.15; Oklahoma City, plus 0.60; St. Louis, same; and Denver plus \$0.55. 11/ Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. 12/ Class I price at Las Vegas is minus \$0.35. 13/ Class I price at Boise is minus \$0.30. 14/ Class I prices at other cities are: Portland, same; and Spokane, same.

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

	FOR THE WEEK OF JANUARY 21 - 25, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 01/18/02	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	3,050,083	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	3,917,916	-0-	-0-
Process	-0-	-0-	-0-	-0-	3,682,800	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	10,650,799	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	14,062,712	853,172	13,209,540	126,296,472	144,853,753	699,913,000	369,683,000
Fortified	-0-	-0-	-0-	-0-	25,975,534	38,227,000	36,448,000
<b>TOTAL</b>	14,062,712	853,172	13,209,540	126,296,472	170,829,287	738,140,000	406,131,000

# Although an uncommitted inventory of NDM has continued to exist for some time, it has not been reported due to CCC's efforts to utilize all NDM purchased under price support.

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

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 21 - 25, 2002 =	2.9	153.9	COMPARABLE PERIOD IN 2001 =	3.5	186.9
CUMULATIVE SINCE OCTOBER 1, 2001 =	27.8	1,470.1	CUMULATIVE SAME PERIOD LAST YEAR =	135.9	2,093.9
CUMULATIVE JANUARY 1 - JANUARY 25, 2002 =	10.9	574.2	COMPARABLE CALENDAR YEAR 2001 =	19.4	611.3

\* 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 JANUARY 21 - 25, 2002 (POUNDS)**

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	1,009,902	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	12,078,220	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	121,418	-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 (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	-0-	5,678,640	2,066,443	2,159,486	1.6	38.9
WEST	-0-	-0-	-0-	4,932,559	123,129,435	168,669,801	97.5	60.8
EAST	-0-	-0-	-0-	39,600	1,100,594	-0-	0.9	0.3
<b>TOTAL</b>	-0-	-0-	-0-	10,650,799	126,296,472	170,829,287	100.0	100.0

**SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER MAY 31, 2001**

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

**BUTTER** Bulk \$.8548 per pound; 1# Prints \$.8848  
**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process Am. 2# \$1.2239  
**NONFAT DRY MILK** Nonfortified \$.9000 per pound; Fortified \$.9100; Instant \$1.0575

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/05/02 & 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			
2002-Dairy	0.2	0.7	5.1	4.4	18.9	1.8	0.4	0.8	12.7	2.3	47.4	47.4	46.8	46.8
2001-Dairy	0.2	0.6	6.3	4.9	24.1	2.9	2.3	1.0	10.3	2.7	55.3	55.3	51.2	51.2
2002-All cows	0.2	0.8	7.7	11.4	28.5	10.2	16.9	5.1	14.3	6.1	101.2	101.2		
2001-All cows	0.3	0.8	8.6	11.8	33.1	12.1	18.8	5.3	11.6	5.8	108.1	108.1		

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) AND BFP (1998-99) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)**

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77	14.99	15.10	16.04	16.84	17.34
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

**FEDERAL MILK ORDER CLASS PRICES FOR 2001 - 2002 (3.5% BF)**

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2002	FEB 2002
I 1/	13.99	11.94	12.65	13.44	14.21	14.99	15.34	15.40	15.56	15.93	15.76	11.98	11.96	11.95
II	12.82	13.43	14.17	15.10	15.72	16.05	15.96	15.98	16.24	13.53	12.78	12.61		
III	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80		
IV	12.13	12.70	13.46	14.41	15.04	15.33	14.81	15.06	15.59	12.77	11.97	11.79		

1/ Specific order differentials to be added to this base price are located at: [www.ams.usda.gov/dairy/mib/class\\_prod\\_milk\\_comp\\_pr.htm](http://www.ams.usda.gov/dairy/mib/class_prod_milk_comp_pr.htm)