

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (2/15):
BUTTER: Grade AA closed at \$1.2875. The weekly average for Grade AA is \$1.2508 (+.0341).

CHEESE: Barrels closed at \$1.1875 and blocks at \$1.2150. The weekly average for barrels is \$1.1875 (-.0025) and blocks, \$1.2140 (-.0095).

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 unsettled as the cash price at the CME increases and so do butter stocks. Producers and handlers are stating that strength in the CME cash price is not indicative of the current production and supply of butter. Stocks of butter continue to increase as current production surpasses demand. Cream offerings are heavy in all regions of the country. Often, cream is moving from one area to another to locate a willing buyer. Overall buying interest remains slow and unaggressive. Most orders continue to be placed for short term or immediate needs.

CHEESE: The cheese market remains weak. Current cheese offerings are at least adequate for needs. Natural chunk sales are often sluggish though shred sales remain steady at mostly good levels. Process sales are steady to slower. Some extra cheddar, often barrels, is being inventoried, for either later use or aging programs at current prices. Cheese production remains seasonally strong, aided by increased milk volumes available for manufacturing. Cheese yields are trending lower seasonally.

FLUID MILK: Milk production seems to be on the rise in most areas of the country. Mild winter weather in the Upper Midwest and Northeast has helped keep the milk flow above typical winter levels. Also, mild weather in the West is helping stimulate milk output. Fat and protein test on the incoming milk are generally higher, but some lower tests are noted in the Upper Midwest. Surplus milk volumes are very heavy in the eastern two-thirds of the country and some milk had to be shipped inter-regionally for processing. Bottled milk sales are mixed, but overall reported as steady. Manufacturing plants were generally very active and most are operating at levels well above this time last year.

DRY PRODUCTS: The NDM market is little changed. Production levels are generally heavy in most of the country as surplus milk volumes are heavier than expected. Producer stocks are more than ample for the current slow demand. Offerings to CCC continue from all regions. The dry whey market is weak and prices continue to move lower. Production levels are moderate to heavy and stocks, though not as long as previous weeks, are still ample. Some producers are trying to clear product by offering discounts to stimulate interest. Other makers are in better supply/demand balance and not discounting prices. Spot demand is sluggish as buyers wait. The dry buttermilk market is steady to weak and prices are often lower. Churning

activity is heavy and the volume of buttermilk to dry is increasing. Plant stocks are accumulating and heavier than current demand can clear. The WPC market is steady at weak levels. Prices are unchanged in light trading this week. The lactose market tone and prices are steady.

CCC: For the week of February 11 – 15, NDM purchases total 19,631,077 pounds. Of the total, 384,482 pounds originated in the East, 2,037,025 pounds from the Midwest, and 17,209,570 pounds from the West.

TENTATIVE FINAL DECISION (DAIRY PROGRAMS): On February 14, 2002, the United States Department of Agriculture announced a tentative final decision amending the current pooling provisions of the Upper Midwest Federal milk marketing order. This decision is based on testimony and evidence given at a public hearing held June 26-27, 2001, in Bloomington, Minnesota. This decision would eliminate the ability to simultaneously pool milk on the Upper Midwest milk order when the same milk is already pooled on a State-operated milk order that has marketwide pooling. This decision also establishes a limit on the amount of milk that can be diverted to nonpool plants by pool distributing plants regulated under the order. USDA will conduct a vote on the amended order to determine producer approval. Interested persons have 60 days to file comments in response to the tentative decision, which appeared in the February 14, 2002, Federal Register. For additional information about the decision contact the Upper Midwest Market Administrator at (952) 831-5292 or Paul.Kyburz@usda.gov.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (WASDE): Forecast milk production in 2001/02 is virtually unchanged from last month as a slower rate of decline in cow numbers is offset by a reduction in the rate of growth in milk per cow. Tight heifer supplies have prevented producers from responding to relatively good returns. Increases in milk-per-cow have been limited by tight supplies of high-quality hay and the retention of low producing cows. The forecast 2001/02 Class IV price is unchanged from last month but the Class III price forecast is lowered 5 cents. The all milk price forecast is lowered five-cents to \$13.05-\$13.55.

DECEMBER FLUID MILK SALES (AMS, CDF): During December, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 2.2% lower than December 2000. On an individual product basis, sales of low fat (1%) milk increased from December 2000, while sales of whole milk, reduced fat (2%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The following are year-to-date changes: total packaged fluid milk products were down 0.8% from 2000; reduced fat milk, no change; low fat milk plus 1.3%; fat free milk, down 2.2%; and buttermilk, down 3.6%.

*****SPECIALS THIS ISSUE*****

BUTTER, NDM, AND CLASS III & IV MILK FUTURES (PAGE 7)
 INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)
 FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES (PAGE 9)

DECEMBER FLUID MILK SALES (PAGE 10)
 1999 – 2001 TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION (PAGE 11)

NOTICE: The CME will be closed on February 18, 2002, for the observance of Presidents' Day.

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

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

PRODUCT	MONDAY FEBRUARY 11	TUESDAY FEBRUARY 12	WEDNESDAY FEBRUARY 13	THURSDAY FEBRUARY 14	FRIDAY FEBRUARY 15	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1875 (N.C.)	\$1.1875 (N.C.)	\$1.1875 (N.C.)	\$1.1875 (N.C.)	\$1.1875 (N.C.)	N.C.	\$1.1875 (-.0025)
40# BLOCKS	\$1.2200 (N.C.)	\$1.2125 (-.0075)	\$1.2075 (-.0050)	\$1.2150 (+.0075)	\$1.2150 (N.C.)	-.0050	\$1.2140 (-.0095)
BUTTER							
GRADE AA	\$1.2000 (N.C.)	----	\$1.2650 (+.0650)	----	\$1.2875 (+.0225)	+.0875	\$1.2508 (+.0341)

*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, FEBRUARY 11, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1875; OFFERS UNCOVERED: NONE
 BUTTER — SALES: NONE; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.1800; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.2100, 1 @ \$1.2200

TUESDAY, FEBRUARY 12, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1875; 2 CARS 40# BLOCKS: 1 @ \$1.2125, 1 @ \$1.2200

WEDNESDAY, FEBRUARY 13, 2002

CHEESE — SALES: 1 CAR BARRELS @ \$1.1875; 1 CAR 40# BLOCKS @ \$1.2075;
 BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 13 CARS GRADE AA: 1 @ \$1.2000, 2 @ \$1.2100, 1 @ \$1.2150, 5 @ \$1.2500, 4 @ \$1.2650; BIDS UNFILLED: 23 CARS GRADE AA:
 2 @ \$1.2400, 4 @ \$1.2200, 3 @ \$1.2150, 4 @ \$1.2100, 2 @ \$1.2000, 1 @ \$1.1800, 7 @ \$1.1000; OFFERS UNCOVERED: NONE

THURSDAY, FEBRUARY 14, 2002

CHEESE — SALES: 3 CARS 40# BLOCKS: 1 @ \$1.2150, 1 @ \$1.2100, 1 @ \$1.2150; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 15, 2002

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 1 CAR GRADE AA @ \$1.2900; BIDS UNFILLED: 5 CARS GRADE AA: 2 @ \$1.2750, 2 @ \$1.2650, 1 @ \$1.2400; OFFERS UNCOVERED:
 1 CAR GRADE AA @ \$1.2875

BUTTER MARKETS

NORTHEAST

The market tone remains weak. After two, five-cent declines early last week, the butter price at the CME has held at \$1.2000. Some contacts feel that this may be the bottom for a while, but with continued heavy production and growing inventories, others feel that prices still have “room” to fall. Eastern churning activity is heavy and some producers are not able to take in as much excess cream as they have been. Their own milk and cream supplies are increasing and are approaching near-flush levels. Demand for butter is slow to fair and mostly for replacement needs. Retail sales are slow to fair and food service orders are holding about steady. Sales of bulk butter, f.o.b. East, are reported in a range of flat market – 4 cents over the CME price/average.

CENTRAL

Butter markets are unsettled following cash trading at the CME at mid-week. Much to the surprise of many producers and handlers, the cash price increased 6 1/2 cents. Many producers report that churning activity continues to surpass demand thus surplus butter is entering inventory. In many instances, producers and handlers are stating that inventories are heavier than they were at this time last year. Churning activity continues to be quite active as heavy cream offerings from others areas of the country continue to supplement local supplies. Butter demand is slow and unaggressive. In most instances, orders are being placed for fill-in or

short term needs. Producers and handlers feel that many buyers had heavier than desired year-end carry over stocks and until these are cleared, orders will remain light. Bulk butter for spot sales is selling in a range of flat - 3 cents per pound over various pricing basis.

WEST

After the major price decline early last week, prices have generally held steady for the past few trading sessions at the CME and are even beginning to firm again. Buyers were much more comfortable taking possession of butter at \$1.20 than \$1.30 or higher. The increasing price activity at the CME this week was based on buyers bidding for additional loads of butter. Some contacts are wondering what butter imports will look like this year compared to last year. Prices for butter in Oceania are currently less than 50 cents per pound with a weak undertone. It is hard to put together a game plan that is able to take into account all the likely possibilities. Cream offerings remain very heavy and prices are very low. Ice cream plant interest remains very light at this time. The weekly CME butter inventory grew by 7.76 million pounds this past week and stands at 61.1 million pounds. Stocks have grown 28.0 million pounds over the past four weeks compared to 17.5 million pounds for the comparable period last year. Current prices for bulk butter range from 5 cents to 1 cent under market based on the CME with various time frames and averages involved.

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

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY	MILKFAT	
	40# BLOCKS	BARRELS 38% MOISTURE				CLASS II	ALL CLASSES
FEB 9	1,3135 7,608,698	1,2775 11,990,643	0,9130 21,367,644	1,2383 5,135,733	0,2369 10,784,006	1,6371 1,341,664	1,6059 2,995,845

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

CHEESE MARKETS

NORTHEAST

The market tone is still unsettled, generally weak. Prices are four-plus cents lower on most process and natural items and Swiss is unchanged. This brings price declines to fifteen to sixteen cents lower during the past two weeks. Prices at the CME have held at current levels since February 6 and some contacts are wondering if this is where prices will hold. Cheese production in the East is moderate to heavy as surplus milk supplies are holding at much higher than anticipated levels. Some contacts state that it feel like we are "in the flush." Cheese stocks are more than ample for the slow to fair demand. Buyers are taking cheese on an as needed basis. Many feel that prices may continue to inch downward and they don't want too much on hand should that occur. Retail sales are, at best, fair. Food service orders are steady, but at slower than pre-Super Bowl levels.

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

Cheddar 10# Prints	:	1.2875-1.7575
Cheddar Single Daisies	:	1.2450-1.7050
Cheddar 40# Block	:	1.3650-1.5750
Process 5# Loaf	:	1.4000-1.5850
Process 5# Sliced	:	1.4200-1.6975
Muenster	:	1.4475-1.6550
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is weak and appears to be drifting without real direction. Lenten cheese specials are infrequent, but aiding movement in scattered instances. Natural chunk interest is generally fair at best with shreds still holding at mostly good levels. Mozzarella movement has improved in some markets while others remain sluggish. Overall, cheese offerings have increased though producers are reluctant to discount prices to clear extra product. Process interest is moderate to occasionally good. Processors are interested in acquiring a few extra barrels, for both current and later use. Cheddar is again entering aging programs at current prices. Current cheese production is generally higher, where higher milk intakes more than offset slightly lower cheese yields.

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

Process American 5# Loaf	:	1.4100-1.6500
Brick And/Or Muenster 5#	:	1.6300-1.7875
Cheddar 40# Block	:	1.5875-2.1150
Monterey Jack 10#	:	1.8200-2.1150
Blue 5#	:	1.9775-2.3300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5675-2.2150
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	:	FEBRUARY 11 - 15, 2002
BARRELS*	:	\$1.1875 - 1.2000 (NOMINAL)
	:	(-.0450)
40# BLOCKS	:	\$1.2075 - 1.2525 (NOMINAL)
	:	(-\$.0050) (-.0350)

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

WEST

Natural and process cheese prices continued to adjust lower this week. Prices seem to be stabilizing in the short run. Buyers are more willing to take a small position for nearby orders. Demand is still being called lackluster. Offerings of cheese seem to range from steady to a bit heavier. Swiss cheese seems to be in close balance. Mozzarella sales are mixed. Some report good, steady movement while others see a slow trend.

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

Process 5# Loaf	:	1.3450-1.6050
Cheddar 40# Block	:	1.3450-1.4850
Cheddar 10# Cuts	:	1.5250-1.7450
Monterey Jack 10#	:	1.5350-1.6950
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.5300

FOREIGN

Domestic prices moved lower and imported styles are still unchanged. The market tone is seasonal. Demand for imported and/or foreign type cheese is slow to fair. Supplies range from light to fully adequate for most brands and countries of origin.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
	:		
Roquefort	:	TFEWR	-0-
Blue	:	2.6400-3.1400	1.5900-3.0850*
Gorgonzola	:	3.2400-5.9400	2.0900-2.4900*
Parmesan (Italy)	:	TFEWR	3.0075-3.0600*
Romano (Italy)	:	2.1000-2.9900	-0-
Provolone (Italy)	:	3.4400-5.5000	1.5975-1.8075*
Romano (Cows Milk)	:	-0-	2.7825-4.9625*
Sardo Romano (Argentina)	:	2.6500-3.2900	-0-
Reggianito (Argentina)	:	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

	:		
02/11/02	:	27,897	: 125,931
02/01/02	:	25,090	: 126,734
CHANGE	:	2,807	: -803
% CHANGE	:	11	: -1

FLUID MILK AND CREAM

E A S T

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

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	6	0	0	92
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, January 2002 uniform prices: Northeast \$13.81, Mideast \$12.88, Southeast \$14.13, Florida \$15.76, and Western New York (a state order) \$13.22 at the base cities/counties in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production is steady to heavier in most of the East. Milk output continues to show gains in the Southeast, particularly in the Gulf Coast states. Milk output in the Northeast and the Middle Atlantic is showing some increases. Most contacts attribute the gains to the mild winter that region has experienced thus far. Most contacts comment that the mild weather and good supply of good quality feed is causing a mid-winter flush. Reports indicate that fat and protein tests on the incoming milk are increasing. Fluid milk supplies are heavy and manufacturing plants are very busy. Milk normally earmarked for delivery into the Southeast is, for a while, staying in the region and adding to volumes to be processed. Manufacturing plants in the Southeast are operating as needed, mostly on weekends. Those few operations that are running daily still have capacity should it be needed. Bottled milk sale are a little slower this week as bottling schedules get back to more normal levels. There were fewer retail features reported as well as no storm-influenced sales this week. The condensed skim market is unchanged at weak levels. Offerings are heavy and spot demand is slow at best. Prices for wet solids are unchanged. The fluid cream market remains weak. Offerings are burdensome and a high percentage of the available loads are clearing to butter plants. Class II demand is mostly contractual. Prices are often lower as the CME butter average for last week dropped more than nine cents. Some suppliers say they "see the light at the end of the tunnel" in this market, "but it's so far away it isn't worth thinking about." Ice cream production is seasonally light to moderate, but some operations are starting to put up some inventory for spring needs. Cream cheese output is about steady, but few spot purchases have been reported. Churning activity is heavy and most Eastern producers are full. The volumes of cream being shipped to Midwest butter makers are significant.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.4235-1.5833
DELIVERED EQUIVALENT ATLANTA	-	1.4357-1.5817 M 1.4600-1.4844
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3870-1.5939

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 is steady to occasionally improved, aided by retail feature activity. A few trade comments indicate that Class I sales may be lagging just a bit in some Midwestern markets in 2002. Manufacturing milk demand ranges from still sluggish to occasionally improved to fair at best. Reported spot manufacturing milk prices range from \$.50 over class up to \$1.60 over class. Most cheese plants seem to be operating on heavier schedules than a year ago. Cream supplies remain heavy and churning active, but volumes for churning seems to be not nearly as burdensome as recent weeks. Class II cream interest has improved with some extra spot sales occurring. Certainly, trade concerns are being expressed over the cash butter price increase on February 13 at the Chicago Mercantile Exchange with butter production heavier and inventory

larger than a year ago. Condensed skim interest remains good with prices ranging from \$.95 to \$1.0250. Plant milk intakes are steady to slightly higher. Fat and protein levels on incoming milk volumes are drifting lower seasonally. A few reports of larger numbers of recently freshened cows may be increasing milk receipts in localized areas. Also, warmer temperatures through much of the winter have allowed animals to use less energy in maintaining their body temperature. Also, the insect population may be larger as a result of the warmer temperatures. Heating bills are generally much less than recent years.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 40.00- 46.50	\$ 41.00- 47.00
REPLACEMENT HEIFER CALVES	\$480.00-640.00	\$260.00-350.00

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

	FEB 7 - 13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 38.50- 46.50	\$ 38.50- 50.50

W E S T

The March 2002 Class 1 prices in CALIFORNIA range from \$13.27 in the north to \$13.54 in the south. The statewide average Class 1 price based on production is \$13.32. The average is \$0.42 lower than February 2002 and \$1.16 lower than March 2001. In California, milk cows are responding to favorable, unseasonable warm and dry conditions. Milk output is moving higher from a week and year ago. Load weights are increasing and fat and solids are higher. Fluid milk sales in the state are holding mostly steady as orders have leveled off. Manufacturing plants are running at moderate to heavy levels to process milk volumes and components in the state. New crop alfalfa is moving to the Central Valley from the south. Buying interest is good and prices higher for top quality alfalfa. Ideal weather conditions and favorable feed prices continue to bode well for milk production in ARIZONA. Milk output is increasing along with fat and solids in the milk. In NEW MEXICO, few changes are being reported. Conditions remain good for milk production and levels are above a year ago and slightly higher on a weekly basis. Plants are running as scheduled. Milk production in the PACIFIC NORTHWEST ranges from steady to slightly heavier. Conditions have been dryer over the past week or so which is allowing herds to be better managed. Herd health related issues have been minimal so far this winter. The longer days are stimulating the beginnings of a spring flush. Feed supplies are available at reasonable prices. Hay prices are generally holding steady. Water conditions appear to be adequate at this point in the winter season to allow for a normal upcoming cropping year. Fat and protein tests on incoming milk receipts are about average for this time of year. IDAHO milk production continues to grow, but not at the rate that was common over the past few years. A partial moratorium on dairy growth has ended, at least temporarily, so that expansion plans will need to be monitored. Some additional plant capacity will be coming on line this summer. Another expansion has been put on hold until upcoming milk volumes are better known. Water conditions for the new year are marginal at best. Much more moisture is needed to return to normal conditions. Tough winter conditions are the rule over much of the dairy area of NORTHERN UTAH. Deep snow remains on the valley floors and temperatures are below zero every night. Feed consumption is up and milk output is lagging. Slightly lower hay prices continue to be noted in a portion of this region. The CREAM market in the West remains weak. Despite the unexpected strength in the CME butter market, there remains a surplus of cream in the region. Multiples and overages remain depressed and conditions remain a buyer's market. Cream continues to clear to butter plants. Ice cream demand is light and not yet a strong player. Warmer weather and bargain cream prices may create more ice cream production. Cream multiples are unchanged at 100 to 120, FOB. California cream continues to be offered and traded at discounts.

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 on a mostly steady market. Production is steady to higher. Heavy sales to brokers during the week prior put most producers in a balanced position. Good movement is also being reported into cheese, ice cream and instant product facilities. However, sales into the CCC are being reported from the Central region, indicating a desire to clear excess loads at the lower support price. High heat movement is steady and production is light for the mostly contractual interest. Off grade product is readily available for the light interest.

EAST: Prices are steady and the market tone remains unsettled. More Eastern plants are thinking about packaging in government "G" bags in case they decide to offer to CCC. Producer stocks are growing and becoming more of a concern. Those operations in the national marketing agency are somewhat limited by their published prices and, at least this month, being undercut by producers not "in the system." Drying schedules in the East are increasing due to the unseasonably heavy supply of surplus milk. Contacts report that it seems like they are in the flush and really being pushed to clear all the milk. Some surplus milk is moving great distances trying to find plant capacity. Demand for NDM is slow to fair as buyers just take what they need to get by. Most continue to believe that a tilt will take place and are waiting for that occurrence. Contract sales continue, but can't keep pace with output. Sales of Eastern NDM to CCC continue.

Includes EXTRA GRADE and GRADE A

F.O.B. CENTRAL/EAST:

LOW/MEDIUM HEAT: .9000 - .9725 MOSTLY: .9300 - .9600
 HIGH HEAT: .9600 - 1.0250

NONFAT DRY MILK - WEST

Some adjustments are noted on the top end of the range and a few other prices were lowered this week. Spot interest remains fairly light. DEIP interest remains fair with new sales announced this week. Lower priced SMP on the world market continues to make new DEIP sales challenging. Movements of NDM and condensed skim to cheese producers slowed when cheese prices dropped over the past weeks and has not recovered. With increasing milk supplies, the usage will be slow to be reestablished. During the week of February 4-8, adjusted support program purchases totaled 13,112,328 million pounds of NDM with 11,073,754 pounds from the West. Pricing levels continue to weaken for high heat NDM. Market conditions are flat. Production levels are generally light and being made to fill current orders. Uncommitted stocks are being held to minimal levels.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .8950 - .9900 MOSTLY: .9000 - .9225
 HIGH HEAT: .9325 - .9900

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 8	\$.9025	13,827,251	9,371,562
February 1	\$.9018	14,555,823	10,572,669

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 to weak market. While some producer supplies are in balance, others are holding excess stocks to clear. Demand is light with some buyers expecting prices to move lower. Production remains heavy yet dryer schedules are reduced in light of increased condensed buttermilk demand from ice cream facilities. Producers are expecting increased interest in March as February movement generally tends to be lackluster. Offering prices are reported as low as .8300 FOB with most sales being reported at .8500 - .9000 FOB.

BUTTERMILK: .8500 - .9500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady to sharply lower and nominal in the East. The market tone remains weak. Eastern production of dry buttermilk is moderate to heavy, but the contract sales of liquid buttermilk are keeping powder stocks from getting truly out of hand. As it is, producers do have heavier than desired stocks and more of them are getting serious about clearing some of their stocks. Demand, however, is sluggish and buyers are resisting current market prices. Lower prices are not generating much new spot interest. Also, Eastern producers are meeting with pretty stiff price competition from Midwestern producers.

F.O.B. NORTHEAST: .9000 - 1.0100
 DELVD SOUTHEAST: .9200 - .9800

DRY BUTTERMILK - WEST

Western dry buttermilk prices continue to be lowered in attempts to move product and to remain competitive with powder from other regions. Buying interest is unaggressive beyond contracted amounts. There is more condensed buttermilk moving, but the total effect is limited because of the current light call from ice cream producers. Moderate to heavy butter production continues to place more buttermilk into dryers. Inventory levels are varied, but exceed current and nearby interest.

BUTTERMILK: .9200 - 1.0100 MOSTLY: .9500 - .9800

DRY WHOLE MILK - NATIONAL

Prices and the market tone are generally unchanged. Production levels are light to moderate, but generally limited to filling contracts. Producer stocks are closely balanced for the slow to fair spot demand.

F.O.B. PRODUCING PLANT: 1.2200 - 1.2800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH FEBRUARY 8, 2002
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 28,362 MT (62,526,865 LBS)
 CHANGE -- 65 MT (143,299 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. While manufacturer stocks are in better balance than the week prior, product continues to clear at a discount. Multiple load prices are negotiable with some suppliers competing for export demand at the lower end of the range. Some export and domestic buyers are resisting the current market as prices are expected to continue lower. Production is steady to higher as seasonal milk increases are reflected in cheese production schedules. Condensed supplies are being readily offered into some feed facilities. Permeate supplies are reportedly increasing and competitive with whey prices. Aged supplies from May/June of 2001 are readily available for the light interest.

NONHYGROSCOPIC: .1800 - .2375 MOSTLY: .2100 - .2200

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices continue to move lower and the market tone remains weak. A few spot sales are being reported, but for the most part, spot buyers have stepped back from the market to let prices seek their level. This is not uncommon during market conditions such as we now have. Most Eastern producers do have spot loads available for immediate sale. Some makers are discounting prices to keep product moving, but demand isn't overly aggressive and some stock accumulation is evident. Others are trying to maintain their pricing at the market average. Export interest is evident, but new sales are being bid at prices lower than most producers are willing to go at this time. Producers who did contract a larger percentage of their output appear to be in a little better position than those who are relying more heavily on the spot market. Overall, Eastern producers appear to be in better supply positions than some of their Midwestern competitors. Cheese output is heavier than most had anticipated and drying is up at most plants. Surplus milk volumes are heavy and most cheese operations have as much milk as they want offered to them.

F.O.B. NORTHEAST: EXTRA GRADE .2200 - .2350
USPH GRADE A .2450 - .2700
DELVD SOUTHEAST: .2400 - .2550

DRY WHEY - WEST

Prices for the Western whey powder range held steady while the mostly series declined fractionally. Producer stocks are generally in better shape with inventories ranging from tight to available. Light export sales activity is occurring and it is expected to increase as the Chinese New Year celebrations come to an end. Contacts note that the domestic market has turned around over the past few weeks. Central prices are now generally running below those in the West, which is just the reverse of a few weeks ago. Production levels in the West range from steady to slightly heavier.

NONHYGROSCOPIC: .2150 - .2450 MOSTLY: .2150 - .2300

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to lower and nominal on a steady to weak market. Milk replacer supplies are limited for the fair interest. Most trading is occurring at the lower end of the range. Roller ground prices continue to adjust lower with the Extra Grade market. Contractual interest of roller ground is good with lower prices increasing the amount of inquiries. Many delactose producers report that supplies remain in balance for the good demand, yet buyers are reporting purchases at a discount. With lower whey and WPC prices, buyers are talking of removing the protein from formulation, especially with cheaper alternatives available like New Zealand 80% WPC. Early weaned pig and North Central veal prices are trending firm.

MILK REPLACER: .1900 - .2125
ROLLER GROUND: .2150 - .2300
DELACTOSE (Min. 20% protein): .3700 - .4300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged and nominal on a steady to weak market. Trading is very light with some contracts negotiated at both premium and discount prices for the remainder of the year. Spot load offers are generally at 2-3 cents under the average with some lower prices reported as well. Buyers are preoccupied with the next CCC NDM offer and the abundance of 80% WPC available from domestic and New Zealand sources. Bids for the recent 3,228,366 pound CCC NDM offer are due by 2/19/02. Demand for WPC 34% is best for halal/kosher product as well as Grade A supplies. Seasonal increases in ice cream production are alleviating some condensed supplies. However, offers of condensed into some feed facilities are plentiful. Off grade supplies are readily available for the very light interest.

EXTRA GRADE 34% PROTEIN: .5800 - .6800 MOSTLY: .6500 - .6650

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. Traders and producers suspect that second quarter prices will be lower. Supplies are mixed with some firms reportedly tight and others showing increasing stocks. Premium offering prices are trending lower, especially into some brokerage firms. Production is steady to somewhat higher as is seasonally expected. Inquiries are being noted from China, Vietnam, The Netherlands and Philippines. Some domestic inquiries from pharmaceutical and candy companies are being reported yet demand is no better than fair. Off grade supplies are readily available and trading at prices below the range.

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

CASEIN - NATIONAL

Casein prices are generally unchanged, although the market tone remains weak. For the most part, domestic buyers indicate that shipments are arriving as scheduled. Most needs are being filled, with rennet in a tighter position than acid. Production in the Oceania region is as scheduled. Milk handlers in the region are quite surprised at the strength of milk production for this time of the year, thus production of manufactured dairy products remains active. European producers are looking toward the new production season which is slowly resuming. Producers have mixed opinions as to the upcoming production season, although most anticipate minimal problems, if any, in meeting buyer needs.

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 unchanged. Production levels are moderate to heavy as milk supplies, particularly in the eastern half of the country, are heavier than expected for this time of year. Producers are taking advantage of this glut of milk to replenish inventories. Demand is seasonally slow to occasionally fair. The Kansas City Commodity office announced the issuance of EVD-1, invitation 710 inviting competitive offers to sell to CCC 5,140,800 pounds of evaporated milk for delivery April - June 2002. Offers are due by 9:00 a.m. CST, February 19, 2002.

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.

CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	01/30	01/31	02/01	02/04	02/05	02/06	02/07	02/08	02/11	02/12
CME - (CLASS III) MILK FUTURES -- Dollars per cwt.										
JAN 02	11.85 (1105) 2	11.86 (1013) 0	11.87							
FEB 02	11.85 (1269) 32	11.85 (1278) 19	11.95 (1291) 15	11.80 (1296) 20	11.70 (1309) 56	11.72 (1309) 10	11.72 (1317) 50	11.72 (1304) 6	11.72 (1314) 138	11.70 (1321) 42
MAR 02	11.42 (1297) 40	11.44 (1304) 5	11.46 (1293) 51	11.42 (1282) 56	11.15 (1280) 12	11.20 (1284) 15	11.35 (1296) 36	11.27 (1298) 20	11.25 (1303) 24	11.18 (1308) 60
APR 02	11.65 (1280) 33	11.70 (1282) 12	11.75 (1283) 25	11.70 (1283) 17	11.59 (1296) 35	11.59 (1311) 29	11.65 (1333) 40	11.56 (1335) 10	11.51 (1335) 49	11.45 (1345) 38
MAY 02	11.67 (1116) 9	11.70 (1118) 2	11.75 (1138) 52	11.72 (1176) 69	11.60 (1177) 13	11.65 (1184) 21	11.67 (1198) 14	11.65 (1201) 20	11.65 (1223) 32	11.60 (1243) 55
JUN 02	12.24 (1115) 9	12.25 (1115) 4	12.30 (1107) 91	12.22 (1111) 13	12.10 (1115) 11	12.11 (1120) 31	12.15 (1123) 4	12.12 (1123) 4	12.12 (1128) 23	12.12 (1140) 43
JUL 02	13.12 (1060) 14	13.13 (1060) 7	13.19 (1046) 73	13.14 (1072) 41	13.10 (1092) 23	13.10 (1105) 26	13.08 (1142) 45	13.06 (1142) 5	13.06 (1174) 36	13.05 (1189) 39
AUG 02	13.28 (965) 13	13.30 (965) 1	13.35 (946) 72	13.33 (976) 53	13.28 (1005) 31	13.28 (1027) 32	13.28 (1049) 22	13.25 (1052) 6	13.23 (1057) 6	13.22 (1074) 37
SEP 02	13.36 (932) 13	13.37 (933) 4	13.42 (922) 73	13.42 (942) 32	13.38 (973) 33	13.38 (990) 25	13.37 (1033) 44	13.37 (1036) 4	13.37 (1044) 8	13.35 (1073) 48
OCT 02	12.76 (674) 12	12.77 (676) 5	12.81 (695) 24	12.79 (710) 30	12.72 (713) 3	12.71 (713) 2	12.73 (718) 13	12.75 (718) 3	12.75 (725) 8	12.75 (738) 24
NOV 02	12.34 (454) 13	12.35 (456) 2	12.40 (452) 18	12.39 (452) 0	12.39 (454) 4	12.38 (454) 5	12.36 (453) 9	12.36 (459) 3	12.36 (466) 8	12.36 (485) 31
DEC 02	12.10 (414) 11	12.10 (416) 2	12.11 (406) 35	12.12 (406) 0	12.12 (407) 3	12.11 (408) 2	12.10 (409) 5	12.11 (412) 4	12.10 (415) 8	12.10 (430) 22
JAN 03	11.84 (25) 0	11.84 (25) 0	11.84 (26) 1	11.75 (26) 0	11.75 (26) 1	11.70 (26) 0	11.70 (27) 1	11.70 (28) 0	11.70 (28) 0	11.70 (28) 0
FEB 03	11.90 (12) 0	11.85 (12) 0	11.85 (12) 0	11.75 (12) 0	11.75 (12) 0	11.70 (12) 0	11.70 (12) 1	11.70 (12) 0	11.70 (12) 0	11.70 (12) 0

CME - CLASS IV MILK FUTURES - Dollars per cwt.

JAN 02	12.00 (134) 0	12.00 (133) 0	11.93							
FEB 02	11.95 (147) 0	11.90 (146) 1	11.85 (146) 0	11.85 (146) 0	11.80 (146) 0	11.79 (146) 0	11.79 (136) 0	11.74 (136) 0	11.74 (136) 0	11.73 (136) 0
MAR 02	11.99 (140) 2	11.90 (140) 1	11.85 (136) 16	11.60 (137) 2	11.61 (142) 5	11.61 (146) 12	11.60 (137) 0	11.60 (137) 0	11.60 (137) 5	11.50 (137) 0
APR 02	12.12 (166) 17	12.00 (166) 0	11.95 (166) 0	11.95 (171) 5	11.85 (178) 12	11.75 (178) 0	11.75 (178) 0	11.75 (178) 0	11.75 (178) 1	11.70 (178) 0
MAY 02	12.23 (217) 25	12.15 (217) 0	12.10 (232) 15	12.01 (237) 5	11.85 (250) 23	11.80 (250) 0	11.80 (250) 0	11.80 (250) 0	11.80 (250) 1	11.70 (250) 0
JUN 02	12.35 (330) 42	12.20 (340) 22	12.10 (340) 0	12.10 (343) 5	11.90 (353) 27	11.80 (353) 0	11.80 (353) 0	11.80 (351) 2	11.85 (352) 1	11.75 (352) 0
JUL 02	12.40 (420) 17	12.25 (439) 25	12.10 (439) 0	12.10 (448) 10	11.92 (459) 21	11.86 (459) 0	11.86 (459) 0	11.86 (474) 15	11.90 (474) 5	11.95 (474) 0
AUG 02	12.39 (404) 18	12.30 (407) 19	12.24 (407) 2	12.24 (423) 28	12.05 (447) 29	12.00 (447) 0	12.00 (447) 0	12.00 (452) 7	12.05 (457) 5	12.05 (457) 0
SEP 02	12.44 (322) 28	12.35 (336) 19	12.25 (339) 3	12.25 (339) 0	12.20 (362) 32	12.00 (365) 3	12.00 (365) 0	12.00 (370) 5	12.05 (380) 10	12.05 (380) 0

CME - BUTTER FUTURES -- Cents per pound

MAR 02	134.60 (148) 3	134.30 (156) 19	133.50 (156) 1	130.00 (157) 11	128.00 (173) 18	126.50 (173) 0	126.50 (176) 5	127.25 (176) 4	127.25 (176) 0	127.50 (176) 2
MAY 02	136.50 (59) 0	136.75 (59) 4	136.00 (60) 2	132.00 (67) 10	130.50 (69) 2	129.00 (69) 0	129.00 (69) 0	129.50 (70) 4	129.00 (69) 1	130.50 (69) 1
JUL 02	141.00 (117) 0	141.00 (120) 7	139.00 (120) 0	139.00 (123) 6	134.25 (134) 13	133.00 (134) 0	133.00 (134) 0	133.00 (134) 0	133.50 (134) 0	133.50 (136) 5
SEP 02	143.00 (125) 2	143.00 (128) 8	142.00 (132) 4	140.50 (134) 2	137.00 (140) 9	135.75 (141) 1	135.75 (144) 6	135.75 (144) 0	135.75 (144) 0	136.00 (149) 5
OCT 02	143.75 (74) 2	143.75 (78) 5	143.00 (79) 2	142.00 (79) 2	138.50 (81) 3	137.00 (81) 0	137.00 (81) 0	137.00 (81) 0	137.00 (81) 0	137.00 (84) 3

CME - NONFAT DRY MILK FUTURES -- Cents per pound

JUL 02	91.20 (11) 0	91.20 (11) 0	91.20 (11) 0	91.17 (11) 0	91.15 (11) 0	91.12 (11) 0	88.62 (11) 0	88.62 (11) 0	88.62 (11) 0	88.62 (11) 0
--------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

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

INTERNATIONAL DAIRY MARKET NEWS

Information gathered February 4 - 15, 2002

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

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk producers in Europe are now looking toward the end of the milk quota year and for some, adjustments will need to be made. Early reports indicate that overall production is projected to be within quota volumes with producers in countries such as Germany, The Netherlands, Italy, and Spain having to make greater adjustments than others. Some milk handlers anticipate that they will have to pay a super levy due to their strong production trends by the end of March. Milk volumes are quite abundant in many European countries during the current winter season. Over the year-end holiday period, much of the milk ended up in butter/powder and cheese production. At the current time, milk continues to clear to butter/powder as skim powder can now be produced for offering into intervention March 1. Another factor being reported to help relieve milk placement problems is the increase in liquid milk demand. Many attribute the 1% increase to stronger marketing efforts. Handlers and traders of manufactured dairy products, especially butter/powder are indicating that a stabilizing, and in instances, firmer tone to the market is developing. Many feel that this trend is occurring as powder is being readied for intervention offering and thus, a bottom to the market may have been reached. In the Netherlands, butter prices have firmed enough to close intervention. Now producers are preparing for PSA, which will open earlier than usual, March 1. Overall international buyer interest remains slow and unaggressive. Some traders indicate that with a possible turn around in the European skim powder market and a \$610 per metric ton DEIP bonus awarded for 5000 metric tons of U.S. powder destined for Asia and the Former Soviet Union at mid week, buyer interest might resume. Outside of stable to slightly higher butter and skim milk powder prices, prices for other manufactured dairy products remain weak, although traders state that a firmer tone for some products might turn the entire market in that direction.

BUTTER/BUTTEROIL: European butter prices are steady to slightly higher. Many traders and handlers indicate that the tone of the market has stabilized, and in instances, has firmed. In the Netherlands, prices have recovered to the point that intervention has closed. Butter/powder production in many European countries is on the rise as skim milk powder is being readied for intervention offering March 1. Although intervention remains open in most countries, current production is also being readied for PSA storage. Overall butter demand for both international and domestic needs is slow.

82% BUTTERFAT: 1,100 - 1,250
99% BUTTERFAT: 1,300 - 1,450

SKIM MILK POWDER (SMP): The European skim milk powder market tone is unsettled. Many traders and handlers indicate that the market has stabilized, and often, opinions are indicating strength. Prices are unchanged to slightly higher. Current production is quite active with most of the powder being readied for intervention offering in March. Opinions remained mixed as to the total volume that will be offered to intervention, but most feel that early offerings will be active. Producers and handlers feel that the opening of intervention March 1 is giving stability and the strength to current markets. Domestic feed demand is reported to be strong.

1.25% BUTTERFAT: 1,450 - 1,550

WHOLE MILK POWDER (WMP): Whole milk powder markets remain weak at unchanged prices. Many producers, handlers, and traders feel that stability might return to this market in the very near future in light of stability returning to the butter/skim powder market. At this point, no significant new buyer interest is being reported, but many traders feel that lack of sales in recent weeks was due to a weakening market. Now that a more stable market tone is at hand, buyer interest might change.

26% BUTTERFAT: 1,440 - 1,550

SWEET WHEY POWDER: Whey powder prices are unchanged, although the market tone is unsettled. The overall tone remains weak, although with a firmer market tone developing on some European manufactured dairy products, this may direct strength to this market. Stocks of powder are reported to be sufficient for both a domestic and international market, although European prices remain higher than most international buyers are willing to pay.

NONHYGROSCOPIC: 500 - 600

OVERVIEW: EASTERN EUROPE: Typical winter weather patterns have prevailed in most Eastern European dairy regions. Recent milder conditions have been reported which, according to producers and handlers, should ease the stress on the milking herd. Opinions on overall milk production in the region are mixed but for the most part many feel that conditions have been less

OCEANIA

OVERVIEW: Milk production patterns in Australia and New Zealand remain quite positive in relationship to the time of the year. Although weather patterns in New Zealand have been wet, milk handlers are indicating that receipts at plants are not declining as sharply as anticipated due to the less than favorable conditions. In Australia, especially in Victoria, the major milk producing region of the country, milk receipts are running heavier than last year and more in line with production of two years ago. Some reports indicate that production totals during December in Victoria were in low double digits with January output continuing strong. International buyer interest continues to be reported as slow and unaggressive. Most sales activity that is occurring is for regular and ongoing buyer needs. Oceania handlers indicate that they do not foresee buyer interest to resume until a bottom has been attained in the market. For the most part, Oceania prices continue to edge lower to maintain a presence in a weak international market. Many handlers feel that a bottom may be close at hand. Stocks of manufactured dairy products are reported to be fully sufficient for current and projected needs with uncommitted stocks being reported for whole milk powder and butter.

BUTTER: Oceania butter markets remain weak as prices continue to edge lower. Lower prices are occurring to remain competitive in an international market. At this time, international sales activity is limited and slow. Most sales that are occurring are for regular and ongoing customer needs. Stocks of butter are reported to be sufficient for current and projected needs with some additional stocks being classified as uncommitted.

82% BUTTERFAT: 1,050 - 1,100

CHEDDAR CHEESE: Cheese markets are mixed as prices hold steady to slightly lower. Cheese demand is the most active manufactured dairy product out of the Oceania region at this time. Not that there has been any new buyer interest, but regular/ongoing sales activity is keeping cheese stocks moving at a steady pace. For the most part, cheese production is on schedule with current and projected needs. Oceania producers and handlers feel comfortable with cheese stocks in relationship with need.

39% MAXIMUM MOISTURE: 1,800 - 2,000

SKIM MILK POWDER (SMP): Skim powder markets in the Oceania region are weak with prices continuing to decline. Stocks of powder are reported to be sufficient to meet current and projected needs. When possible, producers are trying to direct milk away from butter/powder production toward other manufactured dairy products. New sales activity remains limited, although regular/ongoing sales continue to clear good volumes of Oceania powder.

1.25% BUTTERFAT: 1,400 - 1,575

WHOLE MILK POWDER (WMP): Whole milk powder markets are weak as prices continue to edge lower. Oceania traders indicate that international sales activity remains slow and unaggressive. Whole milk powder production is quite strong. Often milk is being directed toward whole milk production when possible. Stocks of whole milk powder are readily available for current sales with additional powder being earmarked as uncommitted.

26% BUTTERFAT: 1,400 - 1,550

Exchange rates for selected foreign currencies: FEBRUARY 11, 2002

.6288 Canadian Dollar	.0205 India Rupee
.5089 Argentina Peso	.4206 New Zealand Dollar
.1100 Mexican Peso	.5127 Australian Dollar
1.4220 British Pound	.0075 Japanese Yen
.2375 Polish Zloty	.8765 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1100)= 9.0909. That is 1 US Dollar equals 9.0909 Mexican Pesos.

Source: "Wall Street Journal"

CONTINUED: desirable in past winters. Many are looking forward to a positive upcoming production season. Stocks of manufactured dairy products are low, thus early in the new production season, inventories will once again need to be established.

FEBRUARY MILK SUPPLY AND DEMAND ESTIMATES*

Forecast milk production in 2001/02 is virtually unchanged from last month as slower rate of decline in cow numbers is offset by a reduction in the rate of growth in milk per cow. Tight heifer supplies have prevented producers from responding to relatively good returns and increases in milk per cow have been limited by tight supplies of high-quality hay and the retention of low producing cows. The forecast 2001/02 Class IV price is unchanged from last month but the Class III price forecast is lowered 5 cents. The all milk price forecast is lowered to \$13.05-\$13.55 per cwt.

Item	1999/00 1/	2000/01 Estimate 1/		2001/02 Projection 1/	
		January	February	January	February
BILLION POUNDS					
SUPPLY					
BEGINNING COMMERCIAL STOCKS 2/	7.4	8.9	8.9	8.6	8.6
PRODUCTION	167.4	165.3	165.3	168.3	168.3
FARM USE	1.3	1.3	1.3	1.2	1.2
MARKETINGS	166.1	164.0	164.0	167.1	167.1
IMPORTS 2/	4.6	5.5	5.5	4.8	5.1
TOTAL COMMERCIAL SUPPLY 2/	178.2	178.4	178.4	180.5	180.8
USE					
COMMERCIAL USE 2/ 3/	168.5	169.5	169.4	172.1	172.5
ENDING COMMERCIAL STOCKS 2/	8.9	8.6	8.6	8.2	8.2
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.8	0.3	0.3	0.2	0.1
SKIM SOLIDS BASIS 4/	8.5	6.3	6.3	3.8	4.6
DOLLARS PER CWT.					
MILK PRICES 5/					
BASIC FORMULA/CLASS III PRICE 6/	9.99	12.29	12.29	11.45-11.95	11.40-11.90
CLASS IV 7/	11.51	13.88	13.88	11.60-12.30	11.60-12.30
ALL MILK 8/	12.61	14.48	14.48	13.10-13.60	13.05-13.55
MILLION POUNDS					
CCC PRODUCT NET REMOVALS 4/					
BUTTER	11	0	0	5	0
CHEESE	17	16	17	3	4
NONFAT DRY MILK	690	525	525	325	395
DRY WHOLE MILK	34	3	3	0	0
		QUARTERLY 9/		ANNUAL 9/	
		2002 I	2002 II	2002 III	2001
					2002
BILLION POUNDS					
MILK PRODUCTION	42.1	43.7	41.7	165.4	169.3
DOLLARS PER CWT.					
ALL MILK PRICE 5/ 8/	13.05-13.35	12.25-12.85	12.50-13.40	14.93	12.85-13.55
CLASS III PRICE 5/ 6/	11.30-11.60	10.75-11.35	11.10-12.00	13.10	11.30-12.00
CLASS IV PRICE 5/ 7/	11.60-11.90	11.45-12.05	11.70-12.60	13.76	11.65-12.35

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/ Basic Formula Price (BFP) through December 31, 1999; Federal milk order Class III price beginning January 1, 2000. 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-383, World Agricultural Outlook Board, USDA, February 8, 2002.

DECEMBER FLUID MILK SALES

During December, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 2.2 percent lower than December 2000. On an individual product basis, sales of low fat (1%) milk increased from December 2000, while sales of whole milk, reduced fat (2%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

Editor's Note: This data also can be found at www.ams.usda.gov/dairy/mmos.htm.

PACKAGED SALES OF FLUID MILK PRODUCTS IN MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, DECEMBER 2001, WITH COMPARISONS ^{1/}

Product Name/ Marketing Area (Order Number) ^{2/}	Sales		Change from: ^{3/}	
	Dec	Year to date	Previous Year	Year to Date
	Mil.lbs		Percent	
Whole Milk ^{4/}	1,548	18,146	-3.7	-1.7
Reduced Fat Milk (2%)	1,365	16,288	-3.1	0.0
Low Fat Milk (1%) ^{5/}	688	8,330	2.0	1.3
Fat-Free Milk (Skim)	629	7,727	-3.7	-2.2
Buttermilk	49	564	-2.5	-3.6
Total Fluid Milk Products ^{2/}	4,339	51,240	-2.2	-0.8
Northeast (001)	846	9,772	-2.0	-0.1
Appalachian (005)	283	3,463	-6.6	-3.2
Southeast (007)	404	4,925	-3.3	-0.4
Florida (006)	242	2,821	0.4	0.7
Mideast (033)	552	6,383	-3.9	-3.5
Upper Midwest (030)	375	4,374	-2.1	-0.3
Central (032)	395	4,640	-3.2	-0.1
Southwest (126)	345	4,169	-0.3	0.2
Arizona-Las Vegas (131)	108	1,243	5.0	2.5
Western (135)	73	889	-0.6	-0.1
Pacific Northwest (124)	185	2,182	-0.3	-0.1
California (---)	531	6,380	-1.6	-0.9

^{1/} These figures are representative of the consumption of fluid milk products in Federal milk order marketing areas and California, and represent approximately 93 percent of total fluid milk sales in the United States. ^{2/} Sales by product are for all marketing areas combined. Individual marketing area data is for total fluid milk products. Total fluid milk products include the products listed plus miscellaneous products and eggnog. ^{3/} Percent changes have been adjusted for calendar composition. ^{4/} Includes flavored whole milk. ^{5/} Includes flavored fat-reduced milk.

SOURCE: Monthly summaries of Federal Milk Order Market Statistics, AMS, USDA, and California Dairy Information Bulletin, California Agricultural Statistics Service and Milk Stabilization Branch.

TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 1999 TO 2001
(THOUSAND HEAD)

1999			2000			2001		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 2	90.6	40.9	Jan 1	89.9	44.3	Jan 6	108.1	55.3
9	119.0	54.5	8	115.7	57.7	13	134.0	65.6
16	128.8	56.1	15	115.5	56.8	20	117.2	57.7
23	122.4	56.6	22	111.1	52.9	27	115.4	57.8
30	112.6	54.3	29	104.6	51.2	Feb 3	112.5	57.0
Feb 6	109.4	54.7	Feb 5	102.5	51.9	10	110.1	55.1
13	111.6	54.0	12	107.2	54.0	17	110.7	54.5
20	105.1	52.5	19	103.8	51.5	24	111.4	54.2
27	104.8	50.4	26	102.8	53.7	Mar 3	110.3	55.7
Mar 6	107.4	51.2	Mar 4	101.8	55.6	10	111.5	55.7
13	102.9	49.1	11	102.2	55.1	17	110.8	55.3
20	103.5	49.3	18	99.5	53.9	24	109.7	54.6
27	113.5	52.3	25	101.7	54.6	31	109.6	52.8
Apr 3	102.3	47.7	Apr 1	100.0	52.3	Apr 7	102.2	50.8
10	99.1	47.6	8	97.5	48.8	14	95.0	47.0
17	104.3	48.2	15	99.3	48.8	21	102.6	47.7
24	105.2	47.1	22	97.9	47.8	28	110.7	49.3
May 1	103.1	47.2	29	98.1	46.7	May 5	107.9	47.1
8	103.2	44.3	May 6	101.3	47.2	12	106.4	47.2
15	108.7	46.2	13	103.1	46.8	19	105.8	44.8
22	112.5	47.3	20	104.0	46.5	26	109.6	46.3
29	111.8	45.0	27	108.3	47.7	Jun 2	95.0	41.3
Jun 5	87.2	39.4	Jun 3	90.7	41.3	9	107.1	46.1
12	99.9	43.4	10	105.0	46.4	16	97.6	41.8
19	99.3	43.9	17	101.6	45.2	23	99.0	41.8
26	99.8	44.0	24	102.8	47.3	30	109.7	45.8
Jul 3	101.0	46.0	Jul 1	104.7	47.4	Jul 7	88.6	37.5
10	84.7	38.9	8	75.4	37.0	14	104.1	47.4
17	102.2	45.9	15	103.7	48.6	21	105.6	45.6
24	101.8	47.6	22	99.1	48.1	28	100.3	41.8
31	95.2	46.6	29	92.0	45.9	Aug 4	101.2	42.4
Aug 7	97.7	46.0	Aug 5	93.8	46.1	11	98.2	43.4
14	107.7	51.2	12	92.8	45.8	18	106.4	46.7
21	108.2	52.3	19	95.3	46.2	25	110.6	48.9
28	107.3	51.0	26	103.4	50.4	Sep 1	107.4	47.4
Sep 4	108.3	49.8	Sep 2	108.7	52.1	8	91.5	43.3
11	92.8	44.5	9	89.6	45.4	15	105.3	47.4
18	107.3	49.5	16	106.9	50.5	22	107.9	47.3
25	112.0	52.6	23	107.8	51.0	29	112.3	50.2
Oct 2	111.5	51.3	30	107.1	54.2	Oct 6	111.7	49.3
9	114.2	51.3	Oct 7	109.5	52.1	13	112.1	48.8
16	116.5	51.5	14	108.5	51.5	20	116.8	50.3
23	119.3	51.9	21	116.8	55.4	27	125.7	52.5
30	124.9	55.4	28	118.2	54.1	Nov 3	125.3	51.2
Nov 6	125.2	54.0	Nov 4	118.6	54.9	10	126.5	53.7
13	127.2	55.8	11	117.8	56.4	17	124.3	53.7
20	125.3	55.3	18	120.9	57.2	24	96.9	42.0
27	100.7	45.3	25	99.8	47.7	Dec 1	120.0	54.9
Dec 4	122.0	55.5	Dec 2	126.9	60.6	8	122.9	55.8
11	118.2	55.5	9	125.2	59.5	15	116.3	53.6
18	112.4	53.4	16	108.5	52.5	22	116.7	52.9
25	88.2	42.9	23	108.4	53.6	29	82.0	37.9
			30	88.6	45.1			

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.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 11 - 15, 2002			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 02/08/02	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	3,050,083	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	4,025,276	-0-	-0-
Process	-0-	-0-	-0-	-0-	3,762,000	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	10,837,359	-0-	-0-
NONFAT DRY MILK							
Nonfortified	20,207,494	576,417	19,631,077	166,193,654	179,202,999	733,389,000	407,461,000
Fortified	-0-	-0-	-0-	-0-	26,867,069	38,227,000	37,339,000
TOTAL	20,207,494	576,417	19,631,077	166,193,654	206,070,068	771,616,000	444,800,000

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 FEBRUARY 11 - 15, 2002 =	4.3	228.5	COMPARABLE PERIOD IN 2001 =	2.8	146.5
CUMULATIVE SINCE OCTOBER 1, 2001 =	36.6	1,934.5	CUMULATIVE SAME PERIOD LAST YEAR =	145.4	2,505.9
CUMULATIVE JANUARY 1 - FEBRUARY 15, 2002 =	19.6	1,038.6	COMPARABLE CALENDAR YEAR 2001 =	28.8	1,023.3

* 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 FEBRUARY 11 - 15, 2002 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	2,037,025	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	17,209,570	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	384,482	-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-	5,757,840	5,249,274	2,589,324	3.1	37.0
WEST	-0-	-0-	-0-	5,039,919	157,855,573	203,480,744	95.1	62.8
EAST	-0-	-0-	-0-	39,600	3,088,807	-0-	1.8	0.2
TOTAL	-0-	-0-	-0-	10,837,359	166,193,654	206,070,068	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 01/26/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1		
2002-Dairy	0.2	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
2001-Dairy	0.2	0.7	6.4	4.4	23.0	3.6	2.2	1.1	12.9	3.3	57.8	236.4	50.1	49.8
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		
2001-All cows	0.3	0.8	8.7	14.1	32.2	14.6	18.7	5.2	14.2	6.7	115.4	474.7		

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	12.69	
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	11.87	
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	11.93	

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