

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange, all grades of butter are unchanged: Grade AA is \$1.1500, Grade A is \$1.0500, and Grade B is \$1.0300. At the National Cheese Exchange in Green Bay, barrels are unchanged at \$1.2800 and 40# blocks are unchanged at \$1.3250.

According to NASS, milk production in the 20 major states during January totaled 11.1 billion pounds, slightly below (0.4%) production in these same states in January 1996. December revised production, at 11.0 billion pounds was 1.1% above December 1995. During 1996, milk production totaled 154.27 billion pounds, 1.16 billion pounds (0.7%) less than 1995. Production per cow averaged 1,426 pounds for January, 11 pounds (0.8%) above January 1996. The number of cows on farms in the 20 major states was 7.76 million head, down 91,000 head (2.2%) from January 1996 and down 10,000 from December 1996. This is the eighteenth consecutive month of decline. The number of cows on farms was the lowest on record and averaged 107,000 head less during 1996 when compared to 1995.

According to the World Agricultural Supply and Demand Estimate Board, the milk production forecast for 1996/97 is reduced this month by 4 million pounds. Data is not available to quantify the impact of this winter's adverse weather conditions, particularly the western floods, on milk production. However, the impact is expected to hold milk output below the previous forecast. Also, concern over supplies of high quality hay is heightened by a continued increase in hay prices. In January, the U.S. average price of alfalfa hay was more than \$20 per ton above the year-earlier level. The price forecast for all milk is increased slightly this month.

During December, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.9% below 1995 and 1.8% below November 1996 on an adjusted daily average basis. Sales of whole milk items were 1.2% below the previous year; sales of lowfat and skim milk items were 0.6% below the previous year. Total fluid milk sales were higher in the Southeast and Far West; lower in all other regions. Although December monthly totals are below previous year comparables, 1996 year-to-date sales for all fluid items are 0.6% higher.

The January 1997 Consumer Price Index (CPI) for all food is 156.5, up 3.6% from January 1996. The dairy product index, at 147.8, is up 8.4% from a year ago. The following are the January to January changes in selected dairy products: fresh whole milk +8.2%, cheese +7.0%, and other dairy products (includes butter) +10.7%.

Lon Hatamiya, Administrator of USDA's Agricultural Marketing Service (AMS), announced that Dairy Market News information is now available via the Internet's World Wide Web at <http://www.ams.usda.gov/mnnc>

During the week, 148,800 pounds of process American loaves were purchased by CCC. This brings the cumulative cheese purchase (all process) since October 1, 1996, to 483,600 pounds.

SPECIAL THIS ISSUE

WORLD WIDE WEB ACCESS & RECORDED MESSAGE ACCESS GRID (TAN SHEET)
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BUTTER MARKETS

CHICAGO WHOLESALE

Dollars per pound, trucklot, bulk in fiber boxes, delivered metropolitan area, prices include CCC purchase price whenever bulk butter is moving to CCC from the Midwest area.

GRADE	FEBRUARY 18	FEBRUARY 20	FEBRUARY 21
AA	\$1.1500 - 1.1600 (.1350) (.1350)	\$1.1500 - 1.1600	\$1.1500 - 1.1600
A	\$1.0500 - 1.0600 (.1200) (.1200)	\$1.0500 - 1.0600	\$1.0500 - 1.0600

() Change from previous price.

BUTTER HIGHLIGHTS: At the Chicago Mercantile Exchange, all butter prices are unchanged. Butter producers and handlers across the country continue to adjust to higher prices. For the most part, buyer interest remains good, although some retail outlets are considering not running previously scheduled Easter butter features. Stocks are adequate for current needs. Some handlers continue to seek additional stocks for the future. At this time, additional stocks are not that plentiful and prices remain firm. Churning schedules are mixed ranging lighter due to improved cream demand from ice cream producers to seasonally active.

CHICAGO MERCANTILE EXCHANGE

Butter Transactions on **FRIDAY, FEBRUARY 21, 1997**
 (CARLOT UNIT = 40,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION	LST
AA	N.C.	\$1.1500	SALE 02/14/97
A	N.C.	\$1.0500	BID 02/14/97
B	N.C.	\$1.0300	BID 02/14/97

SALES: NONE

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 1 CAR GRADE AA @\$1.1700

CHEESE MARKETS

WISCONSIN ASSEMBLY POINTS

Dollars per pound, standard moisture basis (37.8-39.0%), carlot/trucklot, F.O.B. plants or storage centers, prices include CCC purchase price whenever cheese is moving to CCC from the Midwest area.

CHEDDAR STYLES	FEBRUARY 17 - 21, 1997
BARRELS*	\$1.2700 - 1.2900 (NOMINAL) (-.0025)
40# BLOCKS	\$1.3150 - 1.3550 (-.0025) (.0075)

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

CHEESE HIGHLIGHTS: The cheese market is steady. Prices are unchanged in moderate trading at the National Cheese Exchange. Current activity is moderate for most natural varieties and still slow to fair for process. Offerings are at least adequate for needs. Cheese production is about steady, similar to milk receipts. Cheese yields vary from steady to slightly lower, depending on location. CCC continued to purchase limited volumes of Midwestern process, with the cumulative 3 week total being 483,600 pounds. A CCC market price process cheese purchase is found on page 11 of this report, along with market price invitations.

NATIONAL CHEESE EXCHANGE, INC.

Cheese Transactions on **FRIDAY, FEBRUARY 21, 1997**
 (CARLOT UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	N.C.	\$1.2800 : SALE 02/21/97
40# BLOCKS	N.C.	\$1.3250 : SALE 02/21/97

SALES ON BIDS: 9 CARS BARRELS @ \$1.2800

SALES ON OFFERS: 10 CARS BARRELS @ \$1.2800
 4 CARS 40# BLOCKS @ \$1.3250

BIDS UNFILLED: NONE

OFFERS UNCOVERED: NONE

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE 1/

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Other Dairy Products		Meat, Poultry, Fish and Eggs	
	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/	CPI 2/	Pct. Chg. 3/
NOV 1996	155.9	4.4	149.3	11.7	149.0	12.6	150.9	9.4	140.5	17.7	148.9	5.1
DEC 1996	156.3	4.3	148.6	10.1	148.3	10.9	150.1	8.0	136.2	12.2	150.0	5.6
JAN 1997	156.5	3.6	147.8	8.4	146.7	8.2	149.3	7.0	133.4	10.7	149.6	4.8
U.S. City Average Retail Prices												
Month	Whole Milk 4/		Lowfat Milk 4/		Butter 5/		Process Cheese		Natural Cheese		Ice Cream 8/	
	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995	1996	1995
Dollars												
NOVEMBER	2.746	2.493	2.494	2.269	2.354	1.686	3.651	3.084	3.584	3.340	2.978	2.610
DECEMBER	2.727	2.518	2.526	2.310	2.173	1.733	3.592	3.150	3.085	3.390	2.940	2.675
	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996	1997	1996
JANUARY	2.677	2.546	2.517	2.324	2.092	1.740	3.536	3.107	3.102	3.383	2.947	2.665

NA = Not available. 1/ "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. 2/ The standard reference base period for these indexes is 1982-1984 = 100. 3/ Percent change over previous year. 4/ Per gallon. 5/ Per pound. Grade AA, salted, stick butter. 6/ Per pound, any size and type of package. 7/ Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). 8/ Per 1/2 gallon, prepackaged regular.

PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are sharply (13 1/2 cents) higher. The market tone is unsettled. Contacts continue to be surprised by jumps that butter prices have taken during the past three weeks. Price increases are uncommon, but not unprecedented at this time of year. However, the price of Grade AA butter has increased 24 cents during the last three trading sessions at the Chicago Mercantile Exchange. Some contacts feel that prices will level and hold at current levels while others feel that the high prices will slow demand and prices will "dip" or adjust lower before summer. Production levels are mostly steady. However, with butter prices so high, demand from cream users may drop which would/could create more excess cream for the churns. Retail and food service orders for print butter are steady to slower. The best demand is for bulk butter for storage/speculation.

WHOLESALE PRICES: MIN 25 BOXES
DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.3600-1.5875
1 LB. PRINTS	:	1.2750-1.4575
CHIPS/PATTIES	:	1.3375-1.5075
REDDIES	:	1.4125-1.6075
CONTINENTALS	:	1.4925-1.6675

CENTRAL

Print butter prices in the Central part of the country are sharply higher following AA butter trading at the Chicago Mercantile Exchange February 14. The market tone is firm, although producers and handlers are unsure about the stability at this level. Orders are mixed. Most orders remain strong, but some current orders placed for future needs are being reconsidered and often delayed or completely canceled. Stocks of butter are sufficient for near term needs, but lighter than desired for the future. Handlers that were looking for additional stocks are not as aggressive as in the past, especially at current price levels. Producers and handlers feel that recent price increases will diminish upcoming Easter sales.

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

1/4 LB. PRINTS	:	1.2500-1.6575
1 LB. PRINTS	:	1.2150-1.3775
CHIPS/PATTIES	:	1.2400-1.4500
REDDIES	:	1.3225-1.5600
CONTINENTALS	:	1.4800-1.6700

WEST

Western print butter prices are sharply higher following the 13 1/2 cent increase recorded at the Chicago Mercantile Exchange February 14. The market tone remains firm. Producers and handlers are reporting sales to be mixed. Some are stating that buyers are requesting delays in shipments and, in instances, canceling previously placed orders, while others continue to report strong demand. Some Western producers continue to receive flat market for available loads of butter with some realizing premiums above the market. Producers that are not able to clear all current production are holding with confidence rather than discounting at this time. Butter handlers are unsure what effect higher prices will have on upcoming Easter sales.

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

1/4 LB. PRINTS	:	1.4350-1.4825
1 LB. PRINTS	:	1.3425-1.4250
PATTIES	:	1.3950-1.5725
REDDIES	:	1.5225-1.5525

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

1/4 LB. PRINTS	:	1.1600-1.2125
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
02/17/97	14,239	:	106,559
02/01/97	8,816	:	107,036
CHANGE	+5,423	:	-477
% CHANGE	+ 62	:	N. C.

CHEESE MARKETS

NORTHEAST

Natural cheese prices are fractionally higher. Swiss and process are unchanged. The market tone is steady to firm. Production levels are unchanged in the Northeast. However, surplus milk volumes are slowly starting to increase along seasonal patterns. Plant stocks are balanced on current cheddar styles; tight on aged. Demand ranges from fair to good. Very good interest is reported for aged cheddar. Retail sales are slow to fair. Food service orders are mostly steady.

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

Cheddar 10# Prints	:	1.3025-1.8075
Cheddar Single Daisies	:	1.2725-1.8025
Cheddar 40# Block	:	1.4625-1.6125
Process 5# Loaf	:	1.4825-1.6300
Process 5# Sliced	:	1.4925-1.6450
Muenster	:	1.5050-1.8600
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is steady to firm. The final transactions on barrels at the National Cheese Exchange on February 14 were unchanged from the previous week at \$1.2800. The Exchange close on 40# blocks was .75 cents higher than the previous week at \$1.3250. Some traders expect values to grind irregularly higher into spring. Current orders are steady at best. Little overtime is currently needed to fill orders. Spot offerings, depending on variety, are steady to slightly higher. Barrel interest is mostly steady to occasionally improved as a few processors are building a pre-season inventory. Natural sales remain generally stronger than barrels. Midwestern cheddar is at least adequate for the mostly moderate interest. Milk and cheese production vary by location, both slightly higher and lower. Cheese yields are fairly steady.

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

Process American 5# Loaf	:	1.5775-1.6000
Brick And/Or Muenster 5#	:	1.6200-1.7825
Cheddar 40# Block	:	1.5775-1.9250
Monterey Jack 10#	:	1.7775-1.9250
Blue 5#	:	1.9300-2.1500
Provolone 10 - 12#	:	TFEWR
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6600-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2400-2.5300

WEST

Western cheese prices range from steady to fractionally higher. Demand for Western cheese is categorized as being of a regular nature at this time. Concern was noted about what impact, if any, the sharp increases in butter prices might have on the cheese market. Some buyers are on the sidelines until they reassess the new market fundamentals. Mozzarella is moving well. Swiss sales are improving. Natural and process are moving well with some slowdown on processing solids. Undergrade offerings remain heavy from some suppliers. Production is about steady in the region though many contacts note that yields are lower than anticipated on local milk supplies. Some milk is moving from Utah to Idaho to replace milk lost as animals are culled from herds due to udder problems due to a cold snap in mid-January.

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

Process 5# Loaf	:	1.4725-1.7125
Cheddar 40# Block	:	1.5075-1.7300
Cheddar 10# Cuts	:	1.7475-1.8475
Monterey Jack 10#	:	1.6875-1.8100
Grade A Swiss Cuts 6 - 9#	:	2.3200-2.3525

FOREIGN TYPE CHEESE

Prices of imported types are still reported as unchanged. Prices of domestic styles are fractionally higher. The market tone is unchanged. Supplies range from light to adequate depending on variety and country of origin. Demand for imported and domestic cheese is seldom better than fair.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.6600-2.2275*
Gorgonzola	: 3.2400-5.9400	: 2.2825-2.4900*
Parmesan (Italy)	: 7.1700-8.0000	: 3.0325-3.1075*
Romano (Italy)	: 2.3900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.3325-1.8400*
Romano (Cows Milk)	: -0-	: 2.8625-3.0675*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.7200	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	:	TFEWR
4 Pound	:	2.1900-3.0900
Gouda, Large	:	2.3900-3.1500
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	:	27.8000-31.7000

* = Price change.

FLUID MILK AND CREAM

E A S T

Northeastern Milk Market Administrators announce January 1997 uniform (blend) prices: Federal Order (F.O.) 1 is \$12.96; F.O. 2, \$12.65; F.O. 4, \$13.22; F.O. 36, \$12.87; and Western NY Milk Market Area, \$12.75. (In F.O. 36, producers are now paid on a multiple component system and the uniform price is for informational purposes only.) During January, milk production in the 20 major states totaled 11.1 billion pounds, unchanged from last January. The following are the January-to-January changes for selected states: Florida +1%, Virginia unchanged, Pennsylvania, Texas, and Vermont -2%, New York -3%, and Kentucky -4%. (Starting in January, the milk production survey changed to 20 states from 22. Maryland, North Carolina, and Tennessee were dropped from the 22 states and Arizona was added.) Milk production is reported to be very near its peak in South Florida. In central and northern Florida and other Gulf Coast States, milk production is still increasing. In the Middle Atlantic and New England areas, the milk flow is slowly increasing. Fluid milk supplies are more than excessive of the steady, slow to fair bottled milk demand. Contacts report a good tourist season in Florida and a good demand for milk. However, production is up so much that handlers are still shipping about 70 loads of milk out of state this week. Bottled milk sales in the Northeast are being affected by school closings/vacations in several states. Accordingly, surplus milk volumes are heavier this week. The condensed skim market tone is mostly steady. However, following last week's jump in butter prices, some suppliers have lowered condensed skim prices. Demand is fair to good, particularly if prices per pound solids are below NDM. The fluid cream market is holding quite steady. With Grade AA butter up 13 1/2 cents and Grade A increasing 12 cents, fluid cream prices are sharply higher. Multiples have held relatively steady. Typically, when butter prices jump this much, suppliers will offer or buyers will request that multiples be adjusted lower. This may have happened in some cases, but for the most part, multiples are steady. Demand for cream is a little slower. When they are able, some users have backed away from cream purchases because of the high prices. Ice cream production is slower and reports indicate that some producers have switched to making lowfat ice cream while fat prices are so high. Churning activity ranges from moderate to heavy.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. Producing Plants: Northeast	-	1.3125 - 1.4490
Delivered Equivalent Atlanta	-	1.3125 - 1.6185 M 1.3545-1.3860
F.O.B. Producing Plants: Upper Midwest	-	1.4070 - 1.4595

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	1.0600 - 1.1800
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
FEBRUARY 14 - 20, 1997	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1996	0

Class I demand is steady at unexciting levels. A spurt in Class II milk demand kept some extra surplus milk from entering Class III channels. Manufacturing milk demand is steady to improved with reported spot prices in Wisconsin ranging from \$0.75 to \$1.75 over class. Ice cream/mix production is generally well ahead of last year. Output is often at levels normally reached in a month or two, as producers try to build inventory at lower (at least compared to last summer) prices. Many ice cream outlets have also been building an early inventory. Cream availability is mixed as supplies are adequate for some users though tight for others. Reports indicate limited volumes of Southern milk are again entering the region for processing. Most plants have additional capacity. Fat and protein tests are generally steady. Milk intakes vary throughout the region. Multiple

product operations are reluctant to shift milk from cheese to butter/powder at least in the short run. The initial January estimated milk production in selected Midwestern states compared with January 1996 is: Wisconsin 1.859 billion pounds, down 44 million pounds (2.3%); Minnesota 809 million pounds, down 7 million pounds (0.9%); Michigan 460 million pounds, off 3 million pounds (0.6%), and Iowa 325 million pounds, up 10 million pounds (3.2%). Finding good quality hay remains a problem for many producers. Tested hay sold at auctions during the week ending February 19 for Good quality (RFV 125-151 relative feed value) sold for \$125.00 - 147.50 per ton and (RFV 103-124) went for \$95.00 - 120.50 per ton. From the report of a month ago, these prices are \$5 - 20 higher on the low end of the range and \$5 - 30 lower on the top end of the range. The volume of tested hay traded remains light.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 31.00- 38.00	\$ 31.00- 36.50
REPLACEMENT HEIFER CALVES	\$100.00-150.00	\$ 90.00-145.00

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

	FEB 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.00- 38.00	\$ 31.00- 35.50

W E S T

Milk production during January 1997 in the 20 surveyed states totaled 11,055 million pounds, 0.4% lighter than January 1996. Cow numbers were down 91,000 head (2.2%) 7,755,000, while production per cow increased 11 pounds (0.8%) to 1,426 pounds. Of the surveyed states, Western states and their production percentage change from January to January are; Arizona +2.4%, California +0.7%, Idaho +11.0%, New Mexico +9.2%, and Washington +0.9%. U.S. milk production in calendar 1996 totals 154.3 billion pounds, down 0.7% from the same period in 1995. Output for selected Western States compared to last year is as follows: Arizona up 8.1%, California up 2.0%, Colorado up 5.3%, Idaho up 12.5%, Nevada up 10.3%, New Mexico up 3.5%, Oregon down 4.1%, Utah up 5.0%, and Washington down 0.4%. Favorable weather conditions in the Southwestern part of the United States continue to develop along regular late winter patterns. Milk production is building steadily when compared to last year and especially strong during the past month. Adverse conditions in Northern California are having limited impact on the total output in the state. Feed costs remain higher. Many producers are experiencing limited supplies of quality hay and are supplementing rations with more concentrates, thus overall production is stronger. Milk volumes are sufficient for Class I needs with diversions to local manufacturing quite active. Improved demand for cream from ice cream producers is causing butter production to be lighter than usual for this time of the season. Milk handlers are stating that comparable production and manufacturing patterns from previous years are no longer a source of direction for the future. Times and milk logistics are changing and each day is a new experience in the dairy business. Most contacts in the Pacific Northwest are beginning to believe that spring may come early this year. Temperatures are running between 40 and 60 degrees regularly. Pasture grass is growing very fast, but most fields remain too wet for efficient grazing even though some cows are out for at least part of the day. The timing is great since only expensive "feeder hay" is left for dairy herds. Cash flows for more producers are going negative and they are not able to pay their feed bills. Many are able to get feed only on a COD basis. Heifer demand remains light. Slaughter cow prices are slowly firming. Many producers in the northern Mountain States region are having to cull milking cows from their herds due to damaged udders from a bitter cold snap that occurred in mid-January. Some plants are purchasing outside milk to run more efficiently. Many plant operators are expressing dismay over the yields they are currently getting from farm milk receipts. The solids levels on incoming milk are lower than is seasonally normal due in large part to less than ideal feed rations due to expensive concentrates and forage supplies.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 02/20/97 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Nonfat dry milk prices are higher on the top end of the range. The market tone continues to firm. Buying activity is light when compared to limited plant offerings. Demand is not as aggressive as in recent weeks. Supplies from other regions and resellers are available and able to fill orders. Production continues to be light in the northern part of the region as milk production lags behind a year ago levels. Towards the south, production is often higher. Cheese plants are taking the bulk of additional surplus milk. NDM stocks are light to moderate.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.1300 - 1.1800 MOSTLY: 1.1400 - 1.1500

DRY BUTTERMILK - CENTRAL

Buttermilk powder prices are higher and the market tone is firm in very limited spot trading. Some producer contacts are only offering powder in LTL quantities for spot trades. Drying activity in the region is light. Condensed buttermilk orders remain good with ice cream producers very active in the market. Dry buttermilk offerings are limited with most sales activity centered on existing contracts. Resale loads are trading when offered and pricing levels are increasing. Producers' stocks are very light and continue to be held with confidence.

BUTTERMILK: 1.0000 - 1.0300

DRY WHEY - CENTRAL

Dry whey prices continue to increase and the market tone remains firm. Buying interest is fair to good for the limited spot offerings. Many contacts are surprised about the extent the whey market has responded during this typically slow time of the year. Whatever the reasons for the current demand - increased feed calls, some increased export interest, or the steady food sector demand - the market is responding. Production is mixed among plants, but supplies are tight. Producers' stocks are light to moderate and held with confidence.

NONHYGROSCOPIC: .2000 - .2150 MOSTLY: .2050 - .2100

ANIMAL FEED WHEY - CENTRAL

Prices for milk replacer and standard whey are higher and nominal in very light trading. The market tone is firm. Supplies are limited and priced very close to edible whey prices. Producers are having very few production problems, mainly attributed to lower whey output not stressing dryers. Roller ground prices are higher and nominal. Supplies are adequate for the current fair to good demand. Delactose prices are higher and nominal. Interest is good from the feed sector. Seasonally light demand from the food sector (cold pack, etc.) continues. Stocks are light to moderate.

MILK REPLACER: .1825 - .2025
STANDARD: .1825 - .1975
ROLLER GROUND: .2050 - .2200
DELACTOSE (Min. 20% protein): .3600 - .3900

LACTOSE - CENTRAL AND WEST

Lactose prices are steady to higher within the range, resulting in a higher mostly range. Demand is still good and clearing additional offerings very quickly. Export interest remains good. Production is steady with recent weeks. Stocks are light and held with confidence.

Including spot sales and up to 3 month contracts.

EDIBLE: .2000 - .2700 MOSTLY: .2300 - .2550

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Whey protein concentrate prices are higher and the market tone is firm in light to moderate trading. Producer offerings are limited, but the right price seems to bring WPC to the market. Resale loads are available and prices are also firming. Contacts can find loads of off grade WPC for many animal feed needs. Production ranges from steady to higher. Stocks are light to moderate and held with confidence.

EXTRA GRADE 34% PROTEIN: .5900 - .6400 MOSTLY: .6100 - .6250

NONFAT DRY MILK - WEST

Nonfat dry milk markets are firm with prices steady to higher. Buying interest is good, although less aggressive than in past weeks. Current buying interest is centered around regular customer needs with many buyers not looking beyond near term needs. Stocks of powder range from fully committed to available for sale. Producers that have stocks available are holding them with confidence rather than discounting just to clear them. Recent DEIP commitments have absorbed some powder stocks, but these exports are not affecting domestic markets to any great extent.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0950 - 1.1400 MOSTLY: 1.1200 - 1.1300
HIGH HEAT: 1.1350 - 1.1550

DRY BUTTERMILK - WEST

Buttermilk powder markets remain firm as prices continue to increase. Demand for powder is strong for this time of the season. Stocks of powder are limited and usually fully committed to regular customers. Often, regular customer orders are having to be cut back or shipments are being delaying. Some regular buyers are entering the spot market to cover their full needs, but are not having much success. Spot buyers are also having limited success in acquiring stocks.

BUTTERMILK: .9400 - 1.0000 MOSTLY: .9700 - .9800

DRY WHEY - WEST

Western whey prices ranged from steady to fractionally higher. Export demand is currently steady, but some contacts are stating that they are hearing of more price resistance from foreign buyers as prices get into the low 20's. Domestic interest remains good. Most producers have some whey available, but any they do have is being held with confidence. Regular account buyers are able to acquire powder in a timely fashion, but new orders are often going unfilled. Production is quite variable across the region as more plants notice that yields are below expectations and milk receipts are being impacted by the weather and feed and forage costs.

NONHYGROSCOPIC: .2000 - .2150 MOSTLY: .2000 - .2050

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended February 14, on powder sales of 10,946,934 pounds f.o.b. California manufacturing plants was \$1.1052 per pound. This compares to 10,982,638 pounds at \$1.1035 for the previous week ending February 7, 1997. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

Prices are steady to higher within the range. The market tone is quite firm. Producers report a generally good domestic demand. However, some contacts report occasional price resistance to some of the higher asking prices. There appears to be growing competition from resellers. Instances of lost sales, at current market prices, have been noted. Production levels are increasing as more surplus milk is available to local butter/powder plants this week. Plant stocks range from light to moderate. Interest from exporters, under DEIP, is steady.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST:	1.1400-1.1900
DELVD SOUTHEAST:	1.1500-1.2200

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are often higher and the market tone is firm. Stocks are tight and demand is very good, but there have been no reports of sharply higher prices at either the producer or resale level. Production is light to moderate and powder is clearing almost as fast as it is made and tested. Producers and resellers report an increasing number of inquiries looking for dry buttermilk.

F.O.B. NORTHEAST:	.9750-1.0200
DELVD SOUTHEAST:	.9850-1.0550

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and the market tone is unchanged. Production levels are spotty depending on milk supply and orders for "in hand." The dry whole milk market is mostly contractual and spot sales are often limited to LTL quantities. Some of the large users switched away from dry whole milk as an ingredient when prices were very high and, to a large degree, have not switched back.

F.O.B. PRODUCING PLANT:	1.2500-1.2900
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1996 THROUGH FEBRUARY 14, 1997
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-	19,388	MT (42,742,784 LBS)
CHANGE	-	455	MT (1,003,093 LBS)
WHOLE MILK POWDER	-	1,040	MT (2,248,692 LBS)
CHEESE	-	973	MT (2,145,076 LBS)
CHANGE	-	22	MT (48,501 LBS)
BUTTERFAT	-	809	MT (1,783,521 LBS)
CHANGE	-	28	MT (61,729 LBS)

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are fractionally higher and the market is firm. Production levels range from steady to a little heavier where more surplus milk is available to local cheese makers. Demand for whey powder is good and satisfactorily clearing current output. Those producers with a little inventory are holding it with some confidence. Some producers have commitments for their output and are now sold out for the next several weeks.

F.O.B. NORTHEAST:	EXTRA GRADE	.2000-.2050
	USPH GRADE A	.2000-.2125
DELVD SOUTHEAST:		.2100-.2450

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. When noted, animal feed whey prices are 1-2 cents under Extra Grade prices. Demand for feed quality product is fair to good and offerings are light.

F.O.B. NORTHEAST:	MILK REPLACER	TFEWR
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EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are moderate to a little heavier where increasing volumes of surplus milk are available. Many producers are taking advantage of the increased milk to replenish inventories. Demand continues to center around replacement needs. The Kansas City Commodity office announced the issuance of EVD-1, invitation 300, inviting competitive offers to sell to CCC 2,701,920 pounds of evaporated milk for shipment in April 1997.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES	\$22.50 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.	

CASEIN - NATIONAL

Acid casein prices are unchanged, but the market tone is weaker. Restricted and lower quality casein are commonly being offered at lower prices. These products are providing options for segments of the US casein market and are pressuring offering prices of acid casein. The strength of the US Dollar against foreign currencies is allowing products to be sold at lower prices in the United States. Rennet prices are steady with the bulk of reported prices on quarterly contracts. Demand is fair to good for current supplies.

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

RENNET:	2.3000-2.4700
ACID:	2.1000-2.2500

JANUARY MILK PRODUCTION

Milk production in the 20 major states during January totaled 11.1 billion pounds, slightly below production in these same states in January 1996. December revised production, at 11.0 billion pounds was 1.1 percent above December 1995. During 1996, milk production totaled 154.27 billion pounds, 1.16 billion pounds (0.7 percent) less than 1995.

Production per cow in the 20 major states averaged 1,426 pounds for January, 11 pounds above January 1996.

The number of cows on farms in the 20 major states was 7.76 million head, down 91,000 head from January 1996 and down 10,000 from December 1996. This is the eighteenth consecutive month of decline. The number of cows on farms averaged 107,000 less during 1996 when compared to 1995. The number of cows on farms was the lowest on record.

During the October-December period, the 20 major states produced 32.3 billion pounds of milk, 85.2 percent of the U.S. production. If the remaining 30 states not surveyed monthly followed the same pattern as the 20 states, the U.S. production would be 13.0 billion pounds for January 1997.

JANUARY 1997 MILK COWS AND MILK PRODUCTION, BY STATES*

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	1996	1997	1996	1997	1996	1997	1997 AS % OF 1996
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	118	122	1,765	1,745	208	213	102
CA	1,260	1,269	1,675	1,675	2,111	2,126	101
FL	155	158	1,405	1,395	218	220	101
ID	245	268	1,490	1,510	365	405	111
IL	158	149	1,300	1,290	205	192	94
IN	140	140	1,290	1,320	181	185	102
IA	250	250	1,260	1,300	315	325	103
KY	159	150	1,025	1,040	163	156	96
MI	325	311	1,425	1,480	463	460	99
MN	600	595	1,360	1,360	816	809	99
MO	185	175	1,175	1,150	217	201	93
NM	193	197	1,570	1,680	303	331	109
NY	700	700	1,400	1,360	980	952	97
OH	286	285	1,320	1,335	378	380	101
PA	648	641	1,405	1,385	910	888	98
TX	400	390	1,380	1,390	552	542	98
VT	158	156	1,385	1,370	219	214	98
VA	128	125	1,235	1,260	158	158	100
WA	263	266	1,655	1,650	435	439	101
WI	1,475	1,408	1,290	1,320	1,903	1,859	98
20 STATE TOTAL	7,846	7,755	1,415	1,426	11,100	11,055	100

1/ Includes dry cows. Excludes heifers not yet fresh. 2/ Excludes milk sucked by calves.

*As of January 1, 1997, the survey has been changed to 20 states. The 1996 data has been adjusted to 20 states for comparisons.

SOURCE: "Milk Production," Da 1-1 (2-97), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, JANUARY 1994 TO DATE
(THOUSAND HEAD)**

1994			1995			1996		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 1	97.9	49.2	Jan 7	115.8	56.3	Jan 6	115.1	53.6
8	122.4	62.8	14	136.3	68.2	13	136.8	60.7
15	129.1	66.7	21	128.9	64.5	20	138.8	62.9
22	102.6	48.6	28	124.2	64.3	27	128.9	62.1
29	122.1	67.4	Feb 4	117.5	62.8	Feb 3	119.1	55.8
Feb 5	117.5	65.4	11	119.2	59.7	10	117.9	58.7
12	110.9	59.8	18	114.5	59.1	17	143.7	67.0
19	118.5	62.8	25	122.4	62.8	24	131.2	60.5
26	113.7	61.4	Mar 4	117.0	59.2	Mar 2	127.8	64.1
Mar 5	112.2	60.4	11	108.1	57.0	9	120.2	55.7
12	118.0	62.1	18	117.5	58.9	16	122.9	59.7
19	117.8	60.7	25	120.5	57.3	23	130.6	58.4
26	112.1	58.1	Apr 1	111.5	51.7	30	124.0	55.9
Apr 2	105.5	54.4	8	103.9	51.0	Apr 6	122.9	57.1
9	102.4	53.9	15	103.2	49.0	13	125.1	54.9
16	111.5	57.1	22	110.5	51.8	20	136.4	60.9
23	111.5	53.9	29	115.0	54.5	27	135.4	54.8
30	102.5	50.1	May 6	108.8	49.7	May 4	130.2	52.1
May 7	102.4	52.5	13	105.3	49.9	11	125.2	50.6
14	104.6	51.0	20	105.3	49.0	18	135.2	59.2
21	101.3	49.0	27	110.4	49.9	25	137.7	53.8
28	105.4	49.0	Jun 3	95.6	43.9	Jun 1	128.6	49.1
Jun 4	83.0	41.6	10	112.1	52.6	8	133.4	53.0
11	100.8	48.3	17	107.5	48.5	15	129.3	51.6
18	92.8	44.7	24	103.7	44.9	22	129.0	49.3
25	91.2	43.5	Jul 1	111.2	50.9	29	127.1	50.7
Jul 2	100.0	49.0	8	85.8	41.3	Jul 6	99.7	38.5
9	76.1	38.1	15	111.1	52.1	13	135.5	57.0
16	104.6	51.0	22	99.6	48.6	20	140.3	57.0
23	102.2	51.6	29	100.6	48.9	27	125.5	51.6
30	98.5	51.9	Aug 5	100.3	47.8	Aug 3	122.8	54.7
Aug 6	97.0	50.5	12	106.2	50.2	10	128.7	52.6
13	99.7	51.9	19	107.7	53.7	17	132.2	56.8
20	106.9	51.0	26	109.8	51.1	24	141.9	60.8
27	112.9	56.0	Sep 2	118.6	55.7	31	133.3	59.3
Sep 3	109.1	55.8	9	100.9	48.6	Sep 7	109.7	50.2
10	89.1	46.8	16	126.8	58.3	14	133.0	57.6
17	111.8	55.8	23	124.9	57.1	21	134.5	60.8
24	113.2	55.3	30	123.7	57.9	28	132.1	59.3
Oct 1	119.5	57.9	Oct 7	123.3	54.8	Oct 5	137.6	58.0
8	120.7	56.0	14	125.8	55.7	12	149.4	62.9
15	120.5	55.1	21	133.7	55.9	19	154.4	63.6
22	121.8	55.2	28	142.3	59.5	26	159.6	65.0
29	130.8	57.9	Nov 4	152.8	64.1	Nov 2	166.8	65.5
Nov 5	139.7	60.3	11	148.7	61.8	9	163.8	65.8
12	139.7	61.1	18	156.5	63.6	16	166.3	65.8
19	136.1	57.4	25	120.9	50.7	23	162.7	64.1
26	107.8	48.0	Dec 2	150.4	63.5	30	127.9	53.1
Dec 3	142.8	64.0	9	153.4	65.7	Dec 7	165.0	68.8
10	144.0	65.4	16	130.7	56.5	14	169.0	70.8
17	132.3	61.4	23	130.7	60.8	21	150.3	62.8
24	120.3	58.3	30	107.2	49.4	28	101.9	43.2
31	103.5	48.9						

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.

ESTIMATED U.S. SUPPLY AND USE PROJECTIONS FOR MILK*

The milk production forecast for 1996/97 is reduced this month. Data are not available to quantify the impact of this winter's adverse weather conditions, particularly the western floods, on milk production. However, the impact is expected to hold milk output below the previous forecast. Also, concern over supplies of high quality hay is heightened by a continued increase in hay prices. In January, the U.S. average price of alfalfa hay was more than \$20 per ton above the year-earlier level. The price forecast for all milk is increased slightly this month.

U.S. MILK SUPPLY AND USE

Item	1994/95 1/	1995/96 Estimate 1/		1996/97 Projection 1/		
		January	February	January	February	
SUPPLY						
BILLION POUNDS						
BEGINNING COMMERCIAL STOCKS 2/	4.6	4.6	4.6	4.8	4.8	
PRODUCTION	155.7	154.5	154.4	155.4	155.0	
FARM USE	1.6	1.5	1.5	1.3	1.3	
MARKETINGS	154.1	153.0	153.0	154.1	153.7	
IMPORTS 2/	2.8	2.9	2.9	3.1	3.3	
TOTAL COMMERCIAL SUPPLY 2/	161.6	160.5	160.4	162.0	161.8	
USE						
COMMERCIAL USE 2/	154.1	155.5	155.5	156.0	155.9	
ENDING COMMERCIAL STOCKS 2/	4.6	4.8	4.8	5.4	5.3	
CCC NET REMOVALS:						
MILKFAT BASIS 3/	2.9	0.1	0.1	0.6	0.5	
SKIM SOLIDS BASIS 3/	4.9	1.1	1.1	1.5	1.4	
DOLLARS PER CWT.						
PRICES RECEIVED BY FARMERS 4/						
BASIC FORMULA (BFP)	11.59	13.50	13.50	12.15-12.75	12.15-12.75	
ALL MILK 5/	12.54	14.42	14.42	13.45-14.05	13.50-14.10	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS 3/						
BUTTER	110	1	1	20	15	
CHEESE	8	5	5	8	8	
NONFAT DRY MILK	384	84	84	110	105	
		QUARTERLY 6/			ANNUAL 6/	
		1997 I	1997 II	1997 III	1996	1997
BILLION POUNDS						
MILK PRODUCTION	38.6	40.3	38.3	154.4	155.4	
DOLLARS PER CWT.						
ALL MILK PRICE 4/ 5/	12.90-13.20	13.05-13.65	13.25-14.15	14.74	13.35-14.05	
BASIC FORMULA PRICE 4/	12.00-12.30	12.15-15.75	12.40-13.30	13.39	12.40-13.10	

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

* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; John Mengel, FSA; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WAOB, USDA, February 12, 1997.

DECEMBER FLUID MILK SALES HIGHLIGHTS

During December, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.9 percent below 1995 and 1.8 percent below November 1996 on an adjusted daily average basis. Sales of whole milk items were 1.2 percent below the previous year; sales of lowfat and skim milk items were 0.6 percent below the previous year. Total fluid milk sales were higher in the Southeast and Far West, and lower in all other regions.

SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, LOWFAT AND SKIM MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, DECEMBER 1996, WITH COMPARISONS 1/

Region 4/	Whole Milk Items 2/				Lowfat and Skim Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Dec.	Year to date	Prev. year 5/	Year to date 5/	Dec.	Year to date	Prev. year 5/	Year to date 5/	Dec.	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	367	4,335	-2.6	-0.6	447	5,384	-3.4	-0.3	814	9,719	-3.1	-0.4
Southeastern 6/	356	4,282	2.4	1.8	463	5,708	1.4	1.9	819	9,990	1.8	1.9
Midwest	266	3,147	-2.8	-1.4	931	11,237	-2.5	0.1	1,197	14,384	-2.3	-0.2
Southwest	167	2,050	-2.4	1.3	194	2,451	-0.8	3.0	362	4,501	-1.6	2.2
Far West	335	4,080	-1.3	-0.3	666	8,070	2.8	1.5	1,001	12,150	1.3	0.8
All Areas Combined 6/	1,490	17,895	-1.2	0.1	2,702	32,849	-0.6	0.9	4,193	50,743	-0.9	0.6

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 91 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Lowfat and skim milk items include plain, solids added, flavored, and miscellaneous lowfat and skim milk products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 62, report #12. Southeast excludes Paducah. Midwest excludes Black Hills. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13. 6/ Includes the Southeast marketing area; some of the data for this market have been estimated.

PACKAGED SALES OF FLUID MILK PRODUCTS IN ALL MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, NOVEMBER, 1996 WITH COMPARISONS 1/

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil. lbs.	Percent	
Whole milk 2/	1,497	-0.7	0.2
2% Lowfat Milk	1,399	-1.3	-1.5
1% Lowfat Milk 3/	636	1.8	2.0
Skim Milk	692	4.3	5.9
Buttermilk	54	-6.3	-3.6
Total Fluid Milk Products 4/	4,292	0.1	0.7

1/ These sales volumes and percent changes include preliminary data from the New York-New Jersey milk order marketing area and some estimated data for the new Southeast Federal milk order marketing area, and preliminary data from the California State milk order. However, data for the Paducah and Black Hills markets, which were terminated November 1, 1995, and October 1, 1996, respectively, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. 2/ Includes flavored whole milk. 3/ Includes flavored lowfat and skim milk. 4/ Includes miscellaneous products.

