

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (3/16):**

BUTTER: Grade AA closed at \$1.5300. The weekly average for Grade AA is \$1.5183 (+.0133).

CHEESE: Barrels closed at \$1.2675 and blocks at \$1.3200. The weekly average for barrels is \$1.2710 (+.0025) and blocks, \$1.3120 (+.0320).

NONFAT DRY MILK: Extra Grade and Grade A closed at \$1.0300. The weekly average for Extra Grade is \$1.0300 (N.C.) and Grade A, \$1.0300 (N.C.).

BUTTER: Butter markets remain firm at current price levels. Churning schedules are seasonally active, depending on cream availability and producer needs. For the most part, producers are taking advantage of all available cream, although many indicate that the cash price is much higher than desired for this time of the year. Last year at this time, the AA cash price was under \$1.00. Producers are filling good print and packaged butter orders as well as storing bulk for future needs. Some scattered retail feature activity will occur during the upcoming weeks, as the Easter/Passover holiday nears, but some have been cancelled due to higher than desired prices. Food service orders are steady at good levels.

CHEESE: The cheese market is unsettled, generally about steady. Current movement is mixed, best for mozzarella. Some improvement was noted in the demand for other natural varieties, particularly shorter shelf life types. Lighter than expected milk receipts in at least part of the country are reflected in cheese production. Some plants are unable to operate on preferred schedules due to their lower milk intakes and seasonally high give up charges to bottlers. The Kansas City Commodity Office is scheduled to release their July 2001 through June 2002 cheese purchase invitations on March 16 with offers due March 26.

FLUID MILK: Milk production trends across the country continue to seasonally develop. Milk output is steady in the Northeast, steady to slightly higher in the Middle Atlantic areas and higher in the Southeast. Milk production in Florida and other Gulf Coastal states is up quite sharply as rains and warmer temperatures are having a positive impact on the milk flow. In the upper Midwest, milk supplies remain unseasonably tight with bottlers and handlers actively seeking supplemental offerings. In the Southwest, milk output continues to be impacted by lingering effects of recent rainfall. Production in New Mexico is steady to slightly higher while output in Arizona is flat. Recent rains are impacting seasonal production with peak levels being pushed back and not expected to be as high as had been anticipated. In California, milk output is flat after losses over the last few weeks. In the Pacific Northwest and Mountain States, low moisture levels are causing producers and handlers much concern, although production is increasing seasonally. Cream markets remain firm with prices at the CME holding basically steady. Ice cream makers are starting to produce more now that spring is approaching, but the current, high prices are a deterrent to spot purchases. Churning schedules remain seasonally active, although the higher than usual butter price for this time of the year is

also limiting some butter production schedules.

DRY PRODUCTS: Nonfat dry milk markets are generally steady with prices unchanged to slightly higher. Stocks of powder range from tight in the East to sufficient in the Midwest and Western part of the country. Production schedules are lightest in the East where producers are barely able to keep up with shipping schedules. Surplus stocks continue to clear to CCC from Midwestern and Western producers. Buttermilk powder markets are mixed with prices unchanged to higher, although some Eastern contacts indicate possible weakness in coming months. Stocks of powder range from light to moderate. Condensed buttermilk demand is increasing as ice cream production increases seasonally. Producers and handlers are waiting with assessments on the impact of foot and mouth disease concerns in the EU. Customers of affected countries have taken varied approaches to importation of dairy products from the EU with some countries placing a ban, while others remain open. Whether US produced dairy products will replace EU products is unclear. There is the potential for world utilization of dairy products to be lowered as customers assess real and perceived risks.

CCC: During the week of March 12 - 16, CCC net purchases totaled 11,447,065 pounds of nonfortified NDM from the West.

MAILBOX MILK PRICES FOR OCTOBER 2000 (DAIRY PROGRAMS): In October 2000, mailbox milk prices reported for selected Federal milk orders averaged \$12.44 per cwt., \$0.24 less than the figure for the previous month. Compared to October 1999, mailbox milk prices, on average, decreased \$2.26 per cwt.

MARCH MILK SUPPLY AND DEMAND ESTIMATES (WAOB): Milk production for 2000/01 is reduced this month because of lower milk output per cow early in 2001. Although productivity gains are expected to resume later in the year, milk production is just under the 1999-2000 level. Milk cow numbers began to decline in the second half of 2000 and are expected to continue their downward trend through the 2000/01 year. CCC net removals of nonfat dry milk powder are projected lower as milk production declines. Lower milk production is expected to boost milk prices. The Class III price is projected to average \$10.10 - \$10.50 per cwt. Class IV prices are raised to \$12.30 - \$12.90 per cwt. The all milk price is forecast at \$12.80 - \$13.20 per cwt.

JANUARY FLUID MILK SALES (AMS, NASS, CA DAIRY INFORMATION BULLETIN): During January, about 4.5 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 1.5% lower than January 2000. On an individual product basis, sales of reduced fat (2%) milk increased from January 2000, while sales of whole milk, low fat (1%) milk, fat-free (skim) milk, and buttermilk decreased from a year earlier. The data for both years have been adjusted for calendar composition.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

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

PRODUCT	MONDAY MARCH 12	TUESDAY MARCH 13	WEDNESDAY MARCH 14	THURSDAY MARCH 15	FRIDAY MARCH 16	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2700 (-.0125)	\$1.2700 (N.C.)	\$1.2800 (+.0100)	\$1.2675 (-.0125)	\$1.2675 (N.C.)	(-.0150)	\$1.2710 (+.0025)
40# BLOCKS	\$1.3000 (N.C.)	\$1.3000 (N.C.)	\$1.3200 (+.0200)	\$1.3200 (N.C.)	\$1.3200 (N.C.)	(+.0200)	\$1.3120 (+.0320)
BUTTER GRADE AA	\$1.5050 (N.C.)	----	\$1.5200 (+.0150)	----	\$1.5300 (+.0100)	(+.0250)	\$1.5183 (+.0133)

*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 no longer reported here. Extra Grade and Grade A prices are \$1.0300. They last changed 9/1999. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, MARCH 12, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 8 CARS BARRELS: 1 @ \$1.2700, 2 @ \$1.2900, 5 @ \$1.3000; 1 CAR 40# BLOCKS @ \$1.3300
 BUTTER — SALES: 3 CARS GRADE AA @ \$1.5050; BIDS UNFILLED: 7 CARS GRADE AA: 1 @ \$1.5050, 6 @ \$1.5000; OFFERS UNCOVERED: NONE

TUESDAY, MARCH 13, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3200

WEDNESDAY, MARCH 14, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.2800; 2 CARS 40# BLOCKS: 1 @ \$1.3100, 1 @ \$1.3200; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE
 BUTTER — SALES: 2 CARS GRADE AA: 1 @ \$1.5100, 1 @ \$1.5125; BIDS UNFILLED: 13 CARS GRADE AA: 1 @ \$1.5200, 1 @ \$1.5125, 3 @ \$1.5100, 2 @ \$1.5075, 6 @ \$1.5050; OFFERS UNCOVERED: NONE

THURSDAY, MARCH 15, 2001

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 11 CARS BARRELS: 1 @ \$1.2675, 3 @ \$1.2800, 2 @ \$1.2900, 5 @ \$1.3000

FRIDAY, MARCH 16, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.2800; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2625; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2675, 1 @ \$1.2775
 BUTTER — SALES: 2 CARS GRADE AA @ \$1.5300; BIDS UNFILLED: 8 CARS GRADE AA: 2 @ \$1.5300, 1 @ \$1.5250, 2 @ \$1.5200, 1 @ \$1.5100, 1 @ \$1.5000, 1 @ \$1.4800; OFFERS UNCOVERED: NONE

Dairy Market News will resume reporting of CME nonfat dry milk sales, bids, and offers, should trading activity occur.

BUTTER MARKETS

NORTHEAST

The market tone remains unsettled, but prices have leveled off. The butter price at the CME has not changed for the past three trading sessions (through 3/12). This is the first time that butter has not changed for three or more consecutive trading sessions since mid-November 2000. Some contacts question the need for such price volatility at this time of year. In the Northeast, butter output is moderate to heavy. Producers are filling print or packaged butter orders as well as storing bulk for future needs. Stocks are more than adequate for the current slow to fair demand. Retail movement is seldom better than fair and best when featured. Retailers are placing or have placed orders for anticipated Lenten and Easter/Passover needs. Food service orders are about steady. Sales of bulk butter, f.o.b. East, are reported in a range of 2.5 – 6.5 cents over the CME price/average.

CENTRAL

Midwestern butter markets are basically steady. Producers indicate that churning schedules are seasonally active, although cream supplies are becoming more competitive. Ice cream and other cream based products are actively absorbing cream volumes. Producers and handlers report that sales of butter are seasonally good, but also state that sales would probably be better if the cash price was not as high as it is. Good orders for the upcoming Easter/Passover season are being reported. Some scattered retail feature activity will occur during the upcoming weeks, but some have been cancelled due to higher than desired prices. Food service

orders are equally strong. Favorable weather conditions in the Midwestern part of the country are being attributed to better than usual away from home eating patterns. Often, current production continues to outpace demand thus butter inventories are building. When available for spot sale, butter is being offered in a price range of 1 – 3 cents per pound over various pricing bases.

WEST

Butter prices have been above the \$1.50 level at the CME for the last nine trading sessions. Last spring, prices were less than \$1.00. Contacts believe there is a possibility that prices may weaken slightly in the short run after Easter needs are covered. If prices do weaken, most believe that the downturn would be short lived and minor. Most contacts are looking for higher prices this summer and fall. Butter users have been discussing importing butter this fall to meet needs and also to slow the run up in prices. Butter sources overseas this fall may be a problem with the ongoing health issues in Europe and the annual production season just commencing in Oceania at that time. Little feature activity is noted for the upcoming Easter holiday because of the relatively high prices. Cream demand remains good. Weekly CME butter stocks increased by 167,000 pounds, the smallest weekly increase this year. Last year, in the fifth week before Easter, stocks were being reduced, but stood at 66.5 million pounds. Current prices for bulk butter nominally range from 4 cents under to flat 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
	40# BLOCKS	BARRELS 38% MOISTURE			
MARCH 10	1.2343 7,067,696	1.2671 8,133,856	1.0130 18,531,626	1.4832 3,686,316	0.2460 9,746,280

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

CHEESE MARKETS

NORTHEAST

Prices are generally lower and the market tone is unsettled. This is the first time since the second week of 2001 that the average CME cheese price for both blocks and barrels were lower than previous week's. Cheese output in the Northeast is steady to lighter as a combination of, fewer cows, lighter milk production, and good Class I demand kept surplus milk volumes lighter than expected. Stocks of most types of cheese are readily available. However, the continued good demand for mozzarella is keeping stocks "fairly snug." Cheddar demand is just fair. Retail demand is just fair and food service orders are steady. However, restaurants are thinking about Easter and placing orders for their anticipated needs.

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

Cheddar 10# Prints	:	1.3250-1.7950
Cheddar Single Daisies	:	1.2825-1.7425
Cheddar 40# Block	:	1.4225-1.6025
Process 5# Loaf	:	1.4775-1.6500
Process 5# Sliced	:	1.4975-1.7525
Muenster	:	1.4850-1.6925
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is cautiously steady. Many traders are interested in the Milk Production report due out on March 16, particularly as an indicator of February cheese production. At least a few traders are speculating that milk receipts may be further below year ago levels than were January's. However, milk and cheese production normally increase seasonally into spring, which could pressure cheese prices. Current barrel and processing solid interest is good. Process sales remain generally good. Natural interest is often improved, though uneven. Demand remains very good for mozzarella and stronger on many of the shorter "shelf life" varieties. Reports indicate that extra "off the board" cheddar purchases by a few buyers are reducing the volume of spot loads, instead of being available for sale on the Chicago Mercantile Exchange cash market. Cheese production is about seasonal though plant milk intakes are lagging last year at many operations. Fat and protein levels on incoming milk supplies are mostly steady to lower. The Kansas City Commodity Office is scheduled to release their July 2001 through June 2002 cheese purchase invitations on March 16 with offers due March 26.

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

Process American 5# Loaf	:	1.4875-1.5600
Brick And/Or Muenster 5#	:	1.5300-1.8750
Cheddar 40# Block	:	1.5300-2.1150
Monterey Jack 10#	:	1.7300-2.1150
Blue 5#	:	2.0200-2.1600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5400-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.0450-2.6850

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	MARCH 12 - 16, 2001
BARRELS*	:	\$1.2675 - 1.2925 (NOMINAL)
	:	(\$.0075) (-.0025)
40# BLOCKS	:	\$1.2800 - 1.3200 (NOMINAL)
	:	(\$.0200) (-.0175)

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

WEST

This was the first weekly decline in average prices in the last five weeks. Western contacts don't see it as a real indication of softness in the market, but only a temporary blip at this point. There may be more reason for concern after Friday's report on milk production. Cheese production is lighter than expected at many Western plants. With the ongoing power and water problems, most don't expect a quick rebound. Demand for processing solids remains quite strong. Any cheese with slight defects is cleaning up quite easily. Interest in current blocks also is good related to spring cheese promotions. Aged cheese offerings are heavy with buying interest light. Swiss stocks are in good balance and look very good going into the spring season. Mozzarella offerings are clearing very easily in a strong market. More capacity is expected later in the year. It remains to be seen if this additional output will be enough to impact the market.

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

Process 5# Loaf	:	1.4200-1.6800
Cheddar 40# Block	:	1.4025-1.5425
Cheddar 10# Cuts	:	1.5825-1.8025
Monterey Jack 10#	:	1.5925-1.7525
Grade A Swiss Cuts 6 - 9#	:	2.3000-2.5100

FOREIGN

Domestic prices moved lower for the first time since late-January/early-February. Cheese prices in the EU seem to be leveling for the time being. There is growing concern surrounding purchases of EU cheese and other dairy products as animal health problems, in some countries, continue. Recent reports of these problems spreading to other countries are cause for additional concern by importers. Retail demand is slow to fair, at best.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.1400	: 1.6275-3.1225*
Gorgonzola	: 3.2400-5.9400	: 2.1775-2.4900*
Parmesan (Italy)	: TFEWR	: 3.0425-3.0675*
Romano (Italy)	: 2.1000-2.5400	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.6350-1.9025*
Romano (Cows Milk)	: -0-	: 2.8175-4.9925*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.3100	: -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	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -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	
	:	:	:	:
03/12/01	21,422	:	127,654	:
03/01/01	21,328	:	131,168	:
CHANGE	94	:	-3,514	:
% CHANGE	N.C.	:	-3	:

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	105	0	103	0	86
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, February 2001 uniform prices: Northeast \$13.62, Mideast \$12.28, Southeast \$14.15, Florida \$15.91, and Western New York (a state order) \$13.80 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 in the Northeast, steady to slightly higher in the Middle Atlantic area, and higher in the Southeast. Milk output in Florida and other Gulf Coast States is up quite sharply as rains and warmer weather are having a positive impact on the milk flow. Milk supplies are long and Florida handlers are clearing increasing volumes of surplus milk to other Southeastern states for processing. However, milk supplies remain tight in the Northeast and there is a growing concern about availability this summer. Contacts report that there is growing competition among coops for farmers in New York and, to a lesser degree, other states. Reportedly, membership personnel are offering attractive premiums to entice farmers (particularly bigger herd size operations) to change. Bottled milk sales are slower. After a week-plus of storm-induced sales, some bottlers are canceling some of this week's milk. Also, some schools/colleges are on recess, which does affect consumption. Surplus milk volumes are tight and most manufacturing operations are running well below capacity levels. Some plants in the Southeast are operating on a little heavier schedules, but most only run on weekends. The condensed skim market is little changed, but with tighter milk supplies comes tighter availability of wet solids. Few spot sales were noted this week as many suppliers were barely able to meet contract shipping schedules. The fluid cream market is firm. Supplies are tight early in the week, adequate after midweek. Spot prices are often higher as multiples and the CME average butter price moved higher this week. Ice cream makers are starting to produce more now that spring is approaching, but the current, high prices are a deterrent to spot purchases. Also, many ice cream makers wonder where butterfat prices will be this summer given their current level. Some Western cream continues to come across the country to supplement local shortages. Cream cheese production is about steady. Churning activity is lighter as less excess cream is available in the region.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.9264-2.1070
DELIVERED EQUIVALENT ATLANTA	-	1.9264-2.1221 M 1.9565-2.0318
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9339-2.0468

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:		
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	-	1.0900-1.1500
NORTHEAST- CLASS III - SPOT PRICES	-	.8600-.9600

M I D W E S T

Class I demand is very good and bottlers and handlers were still actively seeking supplemental offerings in the upper tier of states. A total of 20 loads of milk were hauled from the Arkansas/Missouri to help fill fluid demand in the Chicago market. Local spot Class I premiums paid are in the \$1.90-3.25 over area, though a few higher asking prices were noted. Milk supplies remain unseasonably tight through much of the upper tier of states. Manufacturing schedules are lighter than desired levels at many plants. Manufacturing milk demand is still good for the limited supplies. Spot prices on a limited test are around the \$2.00 over class. Class II condensed skim prices are steady at \$1.10-1.1250. Shipments into other orders included 23 loads of Wisconsin milk are direct shipped to Missouri along with 6 loads to Kentucky and 21 to Tennessee and pooled under other federal orders. Cream demand remains good

despite current "high" prices. Milk intakes continue to range from down slightly to up slightly, but mostly seem to lag the usual seasonal increases. A lot of interest is noted by handlers in tomorrow's (3/16) Milk Production report. Certainly, many handlers and plant operators are concerned with the likely milk supply/demand scenario by fall. Heavy snow (some locations over 10 inches) blanketed parts of western Wisconsin and eastern Minnesota. Other areas received rain and mixed precipitation. While March snows are not uncommon, some feel it could delay planting if additional precipitation and/or unseasonably cool temperatures persist. Outside of delays in milk receiving and shipments, few other problems were encountered with the weather.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MARCH 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 42.00- 46.00	\$ 37.00- 44.50
REPLACEMENT HEIFER CALVES	\$280.00-350.00	\$275.00-325.00

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

	MARCH 8 - 14	PREVIOUS YEAR
SLAUGHTER COWS	\$ 39.00- 53.00	\$ 34.00- 45.50

W E S T

The March Class I prices in California range from \$15.17 in the north to \$15.44 in the south. The statewide average Class I price based on production is \$15.22. The average is \$0.74 higher than February and \$3.55 higher than March 2000. Milk production in the Southwest continues to be impacted in several major milk producing areas by the lingering effect of recent rainfalls. In California, the Central Valley was not impacted as much as other areas. Milk output is noted as flat to 3% higher compared to last year. Green chopping is beginning in the Central Valley. Temperatures have reached into the 70's and sunshine is more common. Milk is showing some slight increases in the far northern producing areas. Pasturing is possible as conditions are less wet. Southern California production remains flat after losses over the last few weeks. Concerns are expressed over the impact the recent conditions will have on the "flush". Reports are that rains affected the first hay cuttings with higher quality hay not being made due to crop in windrows and bales in the field during storms. Recent rains are also impacting Arizona production. Seasonal peak production is being pushed back and not expected to be as high as had been anticipated. New Mexico milk production is steady to slightly higher in some areas. Wet conditions remain over the eastern producing areas and high winds were common over the south at mid-week. Milk handling by processors is going well. Arizona production is flat. Flush levels are yet to be attained and the extent of the top is not expected to be as high as projected. Conditions on the dairies remain less than ideal following adverse weather. Cream prices are slightly higher and there are renewed increases in the butter price at the CME. Multiples are mostly steady and run in the 115 to 128 range FOB. Demand for cream from ice cream manufacturers was up sharply this week. Drought problems continue in the Pacific Northwest. The governor of Washington State has declared a drought emergency. This will allow sales of water, more energy production, and release of some additional funds to help with water and power shortages. Some stream flow measurements are the lowest on record for this time of year. Some areas of the region are expecting only one cutting of hay this year because of the water shortage. Pasture growth in parts of the region near the coast are now far enough along to allow for some early season grazing. This is leading to some increased spring milk output. Some fieldwork is commencing, but little planting has taken place yet. Milk production in the region is increasing seasonally. Early spring weather patterns are common over much of the northern Rockies. Most snow is now gone from the valleys. Mud has not been much of a problem this spring. Lack of a problem does indicate how dry things are. Cropping decisions continue to be made even at this late date. The main factors are water availability along with energy and fertilizer costs. Some plants are out trying to recruit new members to offset some of the milk that has been lost through the winter.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 03/15/01 and represent FOB Central and Western production areas. Prices represent CL/TL 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

Prices are unchanged on a steady market. While milk production is showing some seasonal signs of increase, production of NDM is trending below levels reported last year at some plants. Grade A demand is good while Extra Grade demand is no better than fair. Movement into the CCC continues to alleviate excess supplies. High heat is being produced on an as needed basis. Spot interest on high heat cannot be readily satisfied. Mostly prices for Report 11 in 2000 were 1.0000 - 1.0100.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0025 - 1.0600 MOSTLY: 1.0225 - 1.0275

DRY BUTTERMILK - CENTRAL

Prices are unchanged to higher on a steady to firm market. Warmer temperatures are encouraging ice cream production and movement of condensed buttermilk into ice cream facilities. Churning activity is generally steady as most operations tend to produce for current needs and opt not to build inventories at the higher butter price levels. Dry buttermilk production is unchanged to lower. Demand is light to fair with more inquiries occurring. Some supplies are being imported from the West below the current range. Most movement is occurring on regular contracts. Prices reported for Report 11 in 2000 were .6300 - .7200.

BUTTERMILK: 1.0000 - 1.0700

DRY WHEY - CENTRAL

Prices are unchanged to higher on a mostly steady market. Multiple load shipments into export markets alleviated excess supplies with most operations now reporting that stocks are in balance. Some plants are sold out through April and cannot satisfy spot interest while others offer at a slight discount. Trading activity is very slow. Some buyers feel the market is overstated and are waiting for price declines. Feed facilities are backing off on orders due to decreased demand, especially in the veal sector. Production is unchanged to higher at some locations. Bagged product appears to be clearing better than totes or bulk. Inquiries from export markets are increasing as press coverage of EU animal disease outbreaks increases. Mostly prices for Report 11 in 2000 were .1700 - .1800.

NONHYGROSCOPIC: .2325 - .2500 MOSTLY: .2400 - .2450

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher on a mostly steady market. Supplies of milk replacer are tighter than last week. Demand is fair and production is unchanged. Roller ground movement is steady with some price adjustments with changes in the Extra Grade market noted. Interest is generally good from export markets. Delactose supplies remain tight and trading is light on the spot market. Production is unchanged to slightly higher, discouraging plants from shorting contractual loads. Prices for milk replacer, roller ground and delactose in Report 11 2000 were .1300 - .1675, .1600 - .1825, and .2875 - .3150 respectively. Hog and veal prices are generally trending higher.

MILK REPLACER: .1800 - .2100
ROLLER GROUND: .2275 - .2575
DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged and the market tone remains generally firm. Supplies are mostly tight with only a few plants reporting excess inventories. Some discounting is being noted to resellers. However, movement into export markets is generally at a premium for the good interest. Domestic demand is steady with most movement being reported as additional loads on regular commitments. Negotiations continue for second quarter contracts. Most producers are not anticipating settlement prices until the end of the month. However, some negotiations on 200 mesh are already complete. Inquiries are increasing from Korea, Japan, Mexico and Canada. Production is unchanged to slightly higher. Off grade product is available for the light interest. Mostly prices for Report 11 in 2000 were .1950 - .2050.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1550 - .2150 MOSTLY: .1625 - .1725

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a firm market. While supplies of condensed WPC appear to be increasing as feed facilities cancel orders, dry WPC stocks are tight. High protein product from New Zealand and Australia continues to be offered to feed facilities. Food demand for WPC remains strong from export and domestic markets. Spot trading activity is very light as product cannot generally be found. However, some feed operations are attempting to cancel loads, which may temporarily increase supplies. Partial loads are reportedly trading well above the range. Production is steady. Off grade demand is good for the light supplies. Mostly prices for Report 11 in 2000 were .5000 - .5200.

EXTRA GRADE 34% PROTEIN: .7875 - .8200 MOSTLY: .7875 - .7925

NONFAT DRY MILK - WEST

Prices are slightly higher on the top end of the low/medium heat NDM range. The market tone is mostly steady. DEIP orders were more prevalent this week and pricing levels were steady to fractionally higher. Domestic demand remains rather lackluster and processors continue to offer NDM to the support program to balance inventories. Spot interest is limited. Powder is available from most sources in the region. Contacts are waiting with assessments on the impact of foot and mouth disease concerns in the EU. Customers of affected countries have taken staggered approaches to importation of dairy products from the EU with some countries placing a ban, while others remain open. Whether US produced dairy products will replace EU products is unclear. There is the potential for world utilization of dairy products to be lowered as customers assess real and perceived risks. High heat prices are higher on the top end of the range. Buying interest is light to moderate. Production is fair to good as some producers take advantage of processing time. During the week of March 5 - 9, CCC net purchases totaled 13.3 million pounds of Western NDM.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9950 - 1.0300 MOSTLY: 1.0025 - 1.0175
HIGH HEAT: 1.0300 - 1.0900

DRY BUTTERMILK - WEST

Prices are slightly higher for both the range and mostly series. The market tone is showing a steady to firmer trend. There is some industry sentiment that seasonal increases in ice cream production will also raise the usage of dry buttermilk. Production levels are variable with good sales of cream and condensed buttermilk keeping dryer activity at some locations lighter. Concerns over high drying costs also remain a strong factor in processing. Stocks are light to moderate.

BUTTERMILK: .9700 - 1.0300 MOSTLY: .9800 - .9900

DRY WHEY - WEST

The range of prices for Western whey narrowed while the mostly category increased. Little, if any, price discounting is noted at this time. Most sales are taking place above the average. Stocks are in better balance at most producing plants. Overall production is probably not quite up to expectations. Early comments are coming in on the whey feed tender from last week. Speculation about the source of the whey centers on two options. Those options would be from the U.S. and from Eastern Europe. There are some problems with each source. Europe has the ongoing animal health concern issues that are causing some buyers some real headaches. Prices to make sourcing the product out of the U.S. are problematic because the prices would have to be substantially below the low end of the current price range. Time will tell where the powder eventually comes from.

NONHYGROSCOPIC: .2200 - .2500 MOSTLY: .2350 - .2450

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
March 9	\$1.0058	10,937,456
March 2	\$1.0059	12,522,952

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. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

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

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

The market tone is steady. Prices are unchanged to occasionally higher and remain nominal in the Northeast. Production levels are generally light and some Eastern producers are barely able to keep up with shipping schedules. Surplus milk volumes remain tight and condensed skim sales are holding up quite well. However, one contact reported a little more difficulty moved wet solids this week. This runs counter to recent trends in condensed skim demand. This week, a dryer fire was reported at an Eastern plant. This did not greatly impact drying as the facility has a second dryer that was pressed into action. Eastern producers have little powder on hand for immediate sale. Spot demand at the producer level is steady, but most buyers continue to obtain their spot needs via the resale market.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:	
LOW/MEDIUM HEAT:	1.0300 - 1.0825 MOSTLY: 1.0300 - 1.0600
HIGH HEAT:	1.0575 - 1.1200 MOSTLY: 1.0600 - 1.1000
DELVD SOUTHEAST:	
ALL HEATS:	1.0525 - 1.1400

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and remain nominal. The market tone is mostly steady, but a few, scattered comments indicate possible weakness in coming months. Output in the Northeast is light to moderate, but reports of increasing production in other regions are being noted. Churning activity is a little lighter this week as excess cream volumes are not as abundant as they were a couple weeks ago. Demand is steady with a light test on the spot market. Eastern producers have light to balanced stocks. Condensed buttermilk sales are starting to improve as ice cream producers step up production along seasonal patterns.

F.O.B. NORTHEAST:	.9900 - 1.0100
DELVD SOUTHEAST:	1.0200 - 1.1000

DRY WHOLE MILK – NATIONAL

Prices are often higher and the market tone is steady. Some Western producers have initiated a surcharge to their product to cover the growing costs of production/energy. Production levels are lighter as milk supplies are tight and output is geared to meeting orders. Demand is reported as steady, but there is little spot interest being reported.

F.O.B. PRODUCING PLANT:	1.2750 - 1.4125
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2000 THROUGH MARCH 9, 2001
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	37,703	MT (83,120,034 LBS)
CHANGE	--	4,894	MT (10,789,312 LBS)

CHEESE	--	3,030	MT (6,679,938 LBS)
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This program-year allocation is filled.

Allocations for the DEIP year beginning July 1, 2000: Nonfat dry milk - 68,201 MT; Cheese - 3,030 MT; Butterfat - 21,097 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally lower, but the market tone remains steady. Production levels are lighter than desired. The tight milk supply continues to affect cheese output in the Northeast. Most operations are operating well below capacity levels and most cheese makers do not expect to be burdened with milk during the second quarter of the year. Most Eastern producers report being sold out for the next several weeks and most are trying to get caught up with existing orders. Spot interest is just fair, but local producers are clearing most of their output via contracts. A few weeks ago, dry whey stocks were long in the Midwest. However, current reports note that more producers have cleared desired volumes and are in a better supply/demand situation. Traders continue to report a relatively slow period for market activity. Sales to feed accounts are steady to slower.

F.O.B. NORTHEAST:	EXTRA GRADE	.2425 - .2550
	USPH GRADE A	.2600 - .2675
DELVD SOUTHEAST:		.2725 - .2850

EVAPORATED MILK - NATIONAL

Prices and the market tone remain steady. Production levels are little changed with surplus milk volumes still tight in the East. Demand remains slow to fair and mostly for replacement volumes. A slight "bump up" in retail sales does occur around Easter and retailers are preparing for that scenario. Plant stocks are adequate to cover current needs. In most instances, inventory levels are being replenished.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES	\$22.00 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.	

CASEIN – NATIONAL

Casein markets are generally steady at unchanged prices. Of most concern with casein users is the importation of stocks from European Union sources. At this point, USDA has banned the import of certain dairy products from the EU, but will allow entry of casein under permits if the processing conditions are such that they would inactivate the foot and mouth virus or if they are intended for industrial use. Some European sources indicate that the paperwork process is well underway and hopefully will not disrupt shipments/deliveries. Product of concern is casein that was produced after February 20.

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:	2.4500 - 2.6000

CHICAGO MERCANTILE EXCHANGE FUTURES
 Selected settling prices, (open interest), and volume ^{1/}

Month	02/28	03/01	03/02	03/05	03/06	03/07	03/08	03/09	03/12	03/13
CME - (CLASS III) MILK FUTURES -- Dollars per cwt.										
FEB 01	10.26 (936) 0	10.26 (923) 0	10.27 (923) 0							
MAR 01	11.39 (1101) 36	11.40 (1118) 38	11.35 (1126) 16	11.45 (1161) 48	11.25 (1198) 58	11.14 (1212) 33	11.13 (1232) 35	11.35 (1240) 11	11.33 (1221) 46	11.35 (1227) 34
APR 01	11.15 (1143) 84	11.08 (1153) 60	11.05 (1178) 36	11.15 (1185) 68	11.09 (1219) 86	11.00 (1229) 19	11.00 (1233) 16	11.15 (1260) 43	11.14 (1269) 13	11.13 (1300) 48
MAY 01	11.17 (1122) 69	11.10 (1129) 55	11.08 (1129) 26	11.15 (1139) 83	11.09 (1174) 72	11.06 (1175) 5	11.01 (1174) 10	11.15 (1196) 34	11.15 (1198) 8	11.13 (1223) 41
JUN 01	11.69 (1207) 30	11.63 (1217) 59	11.62 (1224) 25	11.73 (1236) 62	11.60 (1272) 69	11.52 (1276) 8	11.48 (1276) 24	11.69 (1289) 28	11.69 (1296) 11	11.69 (1322) 26
JUL 01	12.12 (1261) 32	12.14 (1280) 69	12.15 (1297) 55	12.25 (1317) 95	12.15 (1325) 40	12.15 (1325) 36	12.12 (1333) 19	12.28 (1356) 50	12.33 (1379) 52	12.40 (1400) 36
AUG 01	12.29 (1212) 19	12.27 (1229) 64	12.23 (1241) 27	12.32 (1256) 85	12.35 (1280) 50	12.33 (1285) 17	12.28 (1304) 26	12.40 (1312) 21	12.38 (1329) 29	12.38 (1357) 38
SEP 01	12.27 (1169) 20	12.27 (1188) 54	12.27 (1199) 26	12.39 (1211) 74	12.40 (1239) 70	12.40 (1246) 21	12.40 (1254) 43	12.59 (1273) 51	12.55 (1283) 15	12.62 (1312) 38
OCT 01	12.27 (1082) 19	12.27 (1097) 52	12.25 (1108) 25	12.35 (1122) 68	12.30 (1133) 66	12.30 (1151) 29	12.27 (1163) 15	12.39 (1191) 39	12.44 (1199) 10	12.44 (1213) 15
NOV 01	11.71 (803) 18	11.70 (810) 20	11.70 (825) 23	11.80 (826) 28	11.80 (832) 9	11.76 (840) 14	11.75 (844) 16	11.85 (852) 20	11.93 (857) 8	11.93 (881) 23
DEC 01	11.56 (656) 34	11.50 (670) 26	11.44 (677) 19	11.53 (679) 10	11.53 (685) 12	11.54 (695) 19	11.53 (703) 16	11.65 (720) 33	11.67 (722) 2	11.70 (729) 11
JAN 02	11.15 (86) 5	11.10 (86) 0	11.05 (93) 8	11.19 (93) 0	11.19 (94) 1	11.10 (94) 0	11.10 (94) 3	11.23 (94) 0	11.20 (99) 5	11.23 (101) 5

CME - CLASS IV MILK FUTURES - Dollars per cwt.

FEB 01	12.73 (212) 0	12.73 (209) 0	12.70							
MAR 01	13.30 (254) 0	13.30 (255) 1	13.30 (255) 0	13.35 (255) 0	13.36 (255) 0	13.36 (255) 0	13.36 (255) 0	13.36 (255) 0	13.40 (254) 1	13.40 (254) 10
APR 01	13.50 (224) 1	13.75 (229) 5	13.70 (229) 5	13.80 (229) 0	13.80 (229) 2	13.80 (229) 0	13.80 (231) 2	13.80 (231) 0	13.80 (231) 2	13.75 (231) 0
MAY 01	13.70 (250) 2	13.75 (255) 5	13.72 (250) 5	13.74 (250) 0	13.74 (250) 0	13.74 (250) 0	13.74 (253) 3	13.75 (252) 1	13.80 (252) 0	13.80 (252) 0
JUN 01	13.50 (202) 3	13.70 (205) 6	13.75 (205) 0	13.75 (205) 0	13.75 (207) 2	13.75 (207) 0	13.75 (209) 2	13.75 (209) 0	13.75 (209) 0	13.75 (209) 0
JUL 01	13.60 (222) 0	13.70 (223) 1	13.75 (223) 0	13.75 (223) 0	13.75 (223) 0	13.75 (223) 0	13.75 (225) 2	13.75 (225) 0	13.75 (225) 0	13.75 (225) 0
AUG 01	13.85 (168) 0	13.85 (168) 0	13.85 (168) 0	13.85 (168) 0	13.85 (168) 0	13.85 (168) 0	13.85 (168) 0	13.85 (168) 2	13.85 (168) 0	13.85 (168) 0
SEP 01	13.80 (153) 0	13.80 (153) 0	13.80 (153) 1	13.90 (153) 0	13.90 (153) 0	13.90 (153) 0	13.90 (153) 2	13.90 (153) 0	13.90 (153) 0	13.90 (153) 0
OCT 01	13.42 (211) 0	13.42 (211) 0	13.42 (211) 1	13.52 (211) 0	13.55 (211) 0	13.55 (211) 0	13.55 (211) 0	13.55 (211) 0	13.55 (211) 0	13.55 (211) 0
NOV 01	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (172) 0	13.70 (173) 11
DEC 01	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0	12.85 (50) 0

CME - BUTTER FUTURES -- Cents per pound

MAR 01	149.75 (88) 7	149.25 (90) 9	149.75 (85) 8	151.00 (20) 1	151.00 (20) 5	152.00 (21) 0	152.00 (17) 0	152.00 (17) 1	152.00 (14) 0	152.00 (9) 0
MAY 01	150.00 (53) 0	151.00 (55) 2	151.00 (55) 1	155.00 (55) 0	155.00 (55) 0	155.00 (55) 0	155.00 (55) 0	155.00 (55) 0	155.00 (55) 0	155.00 (55) 0
JUL 01	154.00 (58) 0	154.50 (60) 3	156.00 (65) 5	159.00 (65) 0	159.00 (66) 5	158.00 (71) 5	158.00 (71) 0	158.00 (71) 0	158.00 (71) 0	158.00 (71) 0
SEP 01	156.00 (42) 0	156.00 (42) 0	156.00 (42) 0	156.00 (42) 2	158.00 (42) 0	158.00 (42) 0	159.00 (42) 0	159.00 (42) 0	159.00 (41) 1	161.00 (40) 1
OCT 01	155.00 (6) 0	155.00 (6) 0	155.00 (6) 0	156.00 (6) 0	156.00 (6) 0	157.00 (6) 0	160.00 (6) 0	160.00 (6) 0	160.00 (6) 0	160.00 (6) 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 March 5 - 16, 2001

Prices are U.S. Dollars per 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: European milk production in most areas continues to build. Most producers are closely monitoring their milk volumes as the quota year-end nears (March 31). Often, producers and handlers report that milk volumes are running heavier than usual for this time of the season, thus marketing adjustments will probably be occurring by the end of the month. Of more concern than milk quota limits are animal health issues within the EU. The BSE situation and, more recently, foot and mouth disease are negatively impacting European agriculture. The initial outbreak of foot and mouth in the UK has spread to Northern Ireland, where reports indicate that hopefully it has been contained. Early in the week, a case has been reported in France, the first confirmed case on the European continent. It was hoped by all associated with agriculture that the disease would not hit the mainland, now that it has been confirmed, the agriculture community does not know what will develop from here. Export bans of various types (all agriculture products, meat products, cloven livestock, and unpasteurized dairy products) are being imposed on some affected countries. Producers and traders are fearing that these bans will continue to build and include more countries. Some of these bans are being self-imposed by exporting countries, but are becoming more mandated by importing countries. International buyers are closely monitoring developments in Europe and are cautiously placing orders. For the most part, dairy products are being minimally impacted, but often, additional health/safety certification is being requested by buyers. Stocks of manufactured dairy products in Europe are reported to be adequate for current buyer interest. Producers and handlers question how will domestic and international dairy markets develop during the upcoming milk production season. In contrast to last season, no significant source commitments are being made for upcoming needs. It is felt that the current animal health situation will need to clear before significant sales activity will resume out of Europe. Producers and handlers feel that prices will probably weaken if sales do not develop and stocks begin to build.

BUTTER/BUTTEROIL: Butter markets are generally steady at unchanged prices. PSA is about to open, thus butter that has been produced during the past month will soon be able to enter the storage program. Producers and handlers report that current international sales are limited, thus much of current production will be entering the storage. Some 7,000mt of Polish intervention butter is available for sale. Producers and traders feel that this will only further depress already low butter prices until cleared.

82% BUTTERFAT: 1,200 - 1,350
99% BUTTERFAT: 1,400 - 1,600

SKIM MILK POWDER (SMP): European skim milk powder markets are generally steady at unchanged prices, although a weaker undertone is developing. Some producers and handlers are concerned about what effects the recent foot and mouth disease outbreak will have on European dairy markets, especially skim milk powder. They feel that sales might lag, thus inventories will build and prices might potentially weaken to close to intervention levels.

1.25% BUTTERFAT: 2,050 - 2,150

WHOLE MILK POWDER (WMP): European whole milk powder markets are generally steady at unchanged prices, although producers, handlers, and traders question market stability. The recent foot and mouth outbreak in Europe is impacting dairy product movement with buyers cautious, especially for near term needs.

26% BUTTERFAT: 2,000 - 2,100

SWEET WHEY POWDER: Whey markets are generally steady at unchanged prices. A recent Japanese whey tender will partially be filled from Eastern European sources. Outside of this recent sales activity, whey demand is slow and unaggressive. Cheese production remains strong, thus stocks of whey are sufficient to meet current needs.

NONHYGROSCOPIC: 450 - 520

OVERVIEW: EASTERN EUROPE: Milk production patterns in Eastern Europe continue to build at a better pace than past years. Most producers and handlers are welcoming the increases as inventories of manufactured dairy products are very low. Intervention stocks of Polish butter are being offered onto the market. Although the volumes are not significant, these offerings are keeping European butter prices low. International buyer interest for dairy products is limited. The recent foot and mouth disease in the UK, Ireland, and now France is causing buyers to approach the European market with caution.

OCEANIA

OVERVIEW: Milk production in the Oceania region continues to decline seasonally, although a stronger finish is developing in New Zealand. Milk producers and handlers in New Zealand are reporting that regular rainfall has occurred late in the season which is encouraging improved milk production patterns. Up to this point, year on year production trends have been between 4 and 5% above last year, but recent receipts indicate that production will probably be near 6% higher than last season. In Australia, no new milk production trends were reported. Although milk volumes are heavier than last season, overall volumes are not as high as previously projected. Stocks of manufactured dairy products in both Australia and New Zealand continue to be reported as tight. In most instances, past and future production has been fully committed and minimal if any is available for spot buyer interest. For the most part, prices are holding steady with some adjustments higher and lower being reported. Oceania producers and handlers of dairy products report that no significant new buyer interest is developing in light of recent animal health issues in Europe. International buyers are closely monitoring conditions in Europe as reports of foot and mouth disease are now occurring on the European mainland. Oceania producers and handlers speculate that although conditions are under control in Ireland, overall conditions elsewhere will probably remain dismal for the near future.

BUTTER: Oceania butter markets are much the same as they have been for the most part of the current milk production season. Stocks of butter are reported to be tight and limited to commitments previously made. For the most part, there is minimal, if any, available for spot buyer interest. At this time, shipments of previously committed butter are on schedule.

82% BUTTERFAT: 1,225 - 1,350

CHEDDAR CHEESE: Oceania cheese markets remain firm at unchanged prices. Demand has been and continues to be strong for all available stocks. Regular and ongoing buyers continue to receive their contracted volumes. Some additional buyer interest is occurring from buyers that are not able to fill their needs from Europe or are cautious about procuring at this time due to animal health issues.

39% MAXIMUM MOISTURE: 1,975 - 2,200

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady, although prices are unchanged to slightly lower. As are all manufactured dairy products in Australia and New Zealand, stocks of skim milk powder are equally tight and basically fully committed. Producers and handlers report that stocks are sufficient for committed volumes with virtually nothing available for spot needs, even if the milk production season finishes stronger than recent trends were indicating.

1.25% BUTTERFAT: 2,100 - 2,175

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices unchanged to slightly higher. Stocks are limited to contractual commitments previously made. Producer and handlers report that production schedules are in line with needs and do not foresee any significant volumes becoming available for late season new buyer interest.

26% BUTTERFAT: 2,000 - 2,100

Exchange rates for selected foreign currencies: March 12, 2001

.4215 Dutch Guilder	.4750 German Mark
.1416 French Franc	.4203 New Zealand Dollar
.1035 Mexican Peso	.5092 Australian Dollar
1.4645 British Pound	.0083 Japanese Yen
.2479 Polish Zloty	.9290 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1035)= 9.6618 That is 1 US Dollar equals 9.6618 Mexican Pesos.

Source: "Wall Street Journal"

MARCH MILK SUPPLY AND DEMAND ESTIMATES*

Milk production for 2000/01 is reduced this month because of lower milk output per cow early in 2001. Although productivity gains are expected to resume later in the year, milk production is just under the 1999/2000 level. Milk cow numbers began to decline in the second half of 2000 and are expected to continue their downward trend through the 2000/01 year. CCC net removals of nonfat dry milk are projected lower as milk production declines. Lower milk production is expected to boost milk prices. The Class III price is projected to average \$10.10-\$10.50 per cwt. Class IV prices are raised to \$12.30-\$12.90 per cwt. The all milk price is forecast at \$12.80-\$13.20 per cwt.

Item	1998/99 1/	1999/00 Projection 1/		2000/01 Projection 1/		
		February	March	February	March	
BILLION POUNDS						
SUPPLY						
BEGINNING COMMERCIAL STOCKS 2/	5.8	7.4	7.4	8.6	8.9	
PRODUCTION	161.2	167.5	167.4	168.4	167.1	
FARM USE	1.4	1.3	1.3	1.3	1.3	
MARKETINGS	159.8	166.1	166.1	167.1	165.8	
IMPORTS 2/	4.8	4.6	4.6	4.3	4.4	
TOTAL COMMERCIAL SUPPLY 2/	170.4	178.2	178.1	180.0	179.1	
USE						
COMMERCIAL USE 2/ 3/	162.7	168.8	168.5	171.9	170.4	
ENDING COMMERCIAL STOCKS 2/	7.4	8.6	8.9	7.5	8.2	
CCC NET REMOVALS:						
MILKFAT BASIS 4/	0.3	0.8	0.8	0.5	0.5	
SKIM SOLIDS BASIS 4/	5.4	8.5	8.5	6.9	6.0	
DOLLARS PER CWT.						
MILK PRICES 5/						
BASIC FORMULA/CLASS III PRICE 6/	14.04	9.99	9.99	9.65-10.15	10.10-10.50	
CLASS IV 7/	NA	11.51	11.51	11.90-12.60	12.30-12.90	
ALL MILK 8/	15.38	12.62	12.62	12.45-12.95	12.80-13.20	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS 4/						
BUTTER	1	11	11	5	5	
CHEESE	6	17	17	30	30	
NONFAT DRY MILK	449	690	690	565	485	
DRY WHOLE MILK	12	34	34	3	3	
		QUARTERLY 9/		ANNUAL 9/		
		2001 I	2001 II	2001 III	2000	2001
BILLION POUNDS						
MILK PRODUCTION	41.9	43.4	41.1	167.7	167.5	
DOLLARS PER CWT.						
ALL MILK PRICE 5/ 8/	13.20-13.40	12.60-13.10	12.70-13.50	12.34	13.05-13.65	
CLASS III PRICE 5/ 6/	10.40-10.60	10.20-10.70	10.60-11.40	9.74	10.70-11.30	
CLASS IV PRICE 5/ 7/	12.45-12.65	12.20-12.70	12.30-13.10	11.83	12.35-12.95	

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-372, World Agricultural Outlook Board, USDA, March 8, 2001.

JANUARY FLUID MILK SALES

During January, about 4.5 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 1.5 percent lower than January 2000. On an individual product basis, sales of reduced fat (2%) milk increased from January 2000, while sales of whole milk, low fat (1%) 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, JANUARY 2001, WITH COMPARISONS 1/

Product Name/ Marketing Area (Order Number) <u>2/</u>	Sales		Change from: <u>3/</u> <u>4/</u>	
	Jan	Year to date	Previous Year	Year to Date
	Mil.lbs		Percent	
Whole Milk <u>5/</u>	1,571	1,571	-1.7	-1.7
Reduced Fat Milk (2%)	1,420	1,420	0.1	0.1
Low Fat Milk (1%) <u>6/</u>	748	748	-0.1	-0.1
Fat-Free Milk (Skim)	677	677	-4.1	-4.1
Buttermilk	47	47	-4.2	-4.2
Total Fluid Milk Products <u>2/</u>	4,470	4,470	-1.5	-1.5
Northeast (001)	829	829	-4.8	-4.8
Appalachian (005)	308	308	<u>4/</u>	<u>4/</u>
Southeast (007)	434	434	-3.5	-3.5
Florida (006)	253	253	3.7	3.7
Mideast (033)	568	568	-3.4	-3.4
Upper Midwest (030)	383	383	-0.9	-0.9
Central (032)	412	412	1.8	1.8
Southwest (126)	369	369	1.6	1.6
Ariz.-Las Vegas/Western (131/135) <u>7/</u>	185	185	3.6	3.6
Pacific Northwest (124)	190	190	1.2	1.2
California (---)	539	539	-2.6	-2.6

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/ Percent changes exclude the data for Appalachian, where applicable. 5/ Includes flavored whole milk. 6/ Includes flavored fat-reduced milk. 7/ The data for these markets have been combined for reporting purposes.

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

**MAILBOX MILK PRICES FOR SELECTED FEDERAL MILK ORDERS AND CALIFORNIA,
OCTOBER 2000, WITH COMPARISONS**

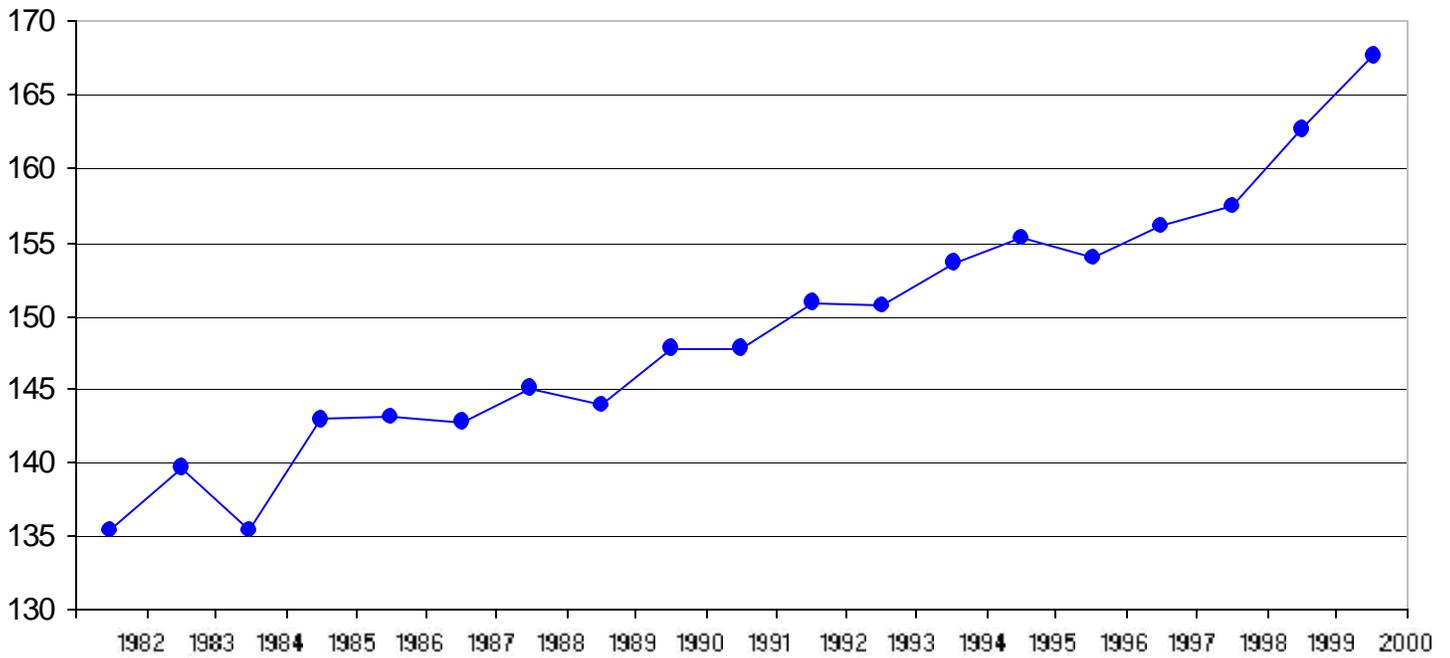
In October 2000, mailbox milk prices reported for selected Federal milk orders averaged \$12.44 per cwt., \$0.24 less than the figure for the previous month. Compared to October 1999, mailbox milk prices decreased \$2.26 per cwt. on the average. Beginning with this report, mailbox prices are shown for those sub-order areas for which the data can be released.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	October 1999	September 2000	October 2000
	<u>Dollars per hundredweight</u>		
Northeast <u>3/</u>	15.20	12.91	12.85
Mideast	15.81	12.51	12.35
Appalachian	17.10	14.17	14.08
Southeast	16.15	13.26	13.14
Florida	19.29	16.55	16.40
Southeastern Average <u>4/</u>	17.10	14.15	14.06
Upper Midwest	13.55	12.43	12.00
Central *	14.46	12.18	11.65
Southwest	14.93	12.20	12.06
Western	12.47	11.34	10.96
Pacific Northwest	13.64	12.17	12.01
Mountain Average <u>4/</u>	13.04	11.90	11.66
All-Market Average <u>4/</u>	14.70	12.68	12.44
California <u>5/</u>	13.68	12.30	11.47
Sub-Order Areas <u>6/</u>	October 1999	September 2000	October 2000
Ohio	---	---	12.47
Michigan	---	---	12.32
W. Texas	---	---	12.59
New Mexico	---	---	11.49
Idaho	---	---	10.89
Utah	---	---	11.06
Oregon/Washington	---	---	12.01

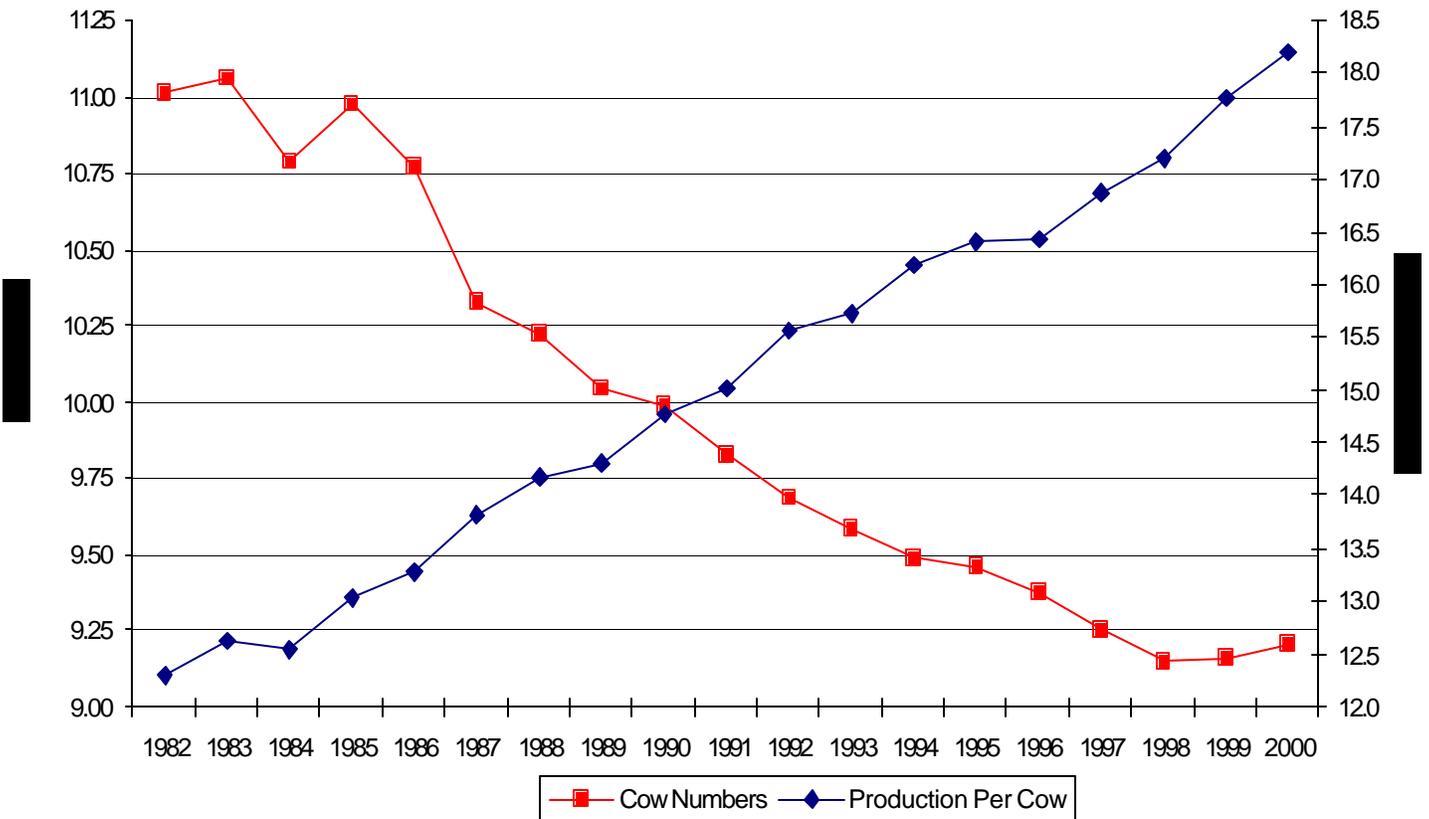
* Information for the current month is estimated.

1/ Federal milk orders for which information could be released. Previous year figures are the weighted average of the prices for the orders that were consolidated. 2/ Net pay price received by dairy farmers marketing milk to handlers regulated under the Federal milk orders. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the market and is reported at the market average butterfat test. 3/ Includes the value of Northeast Dairy Compact over-order payments received by qualified producers. These over-order producer prices were: October 1999, \$0.00; September 2000, \$0.76; October 2000, \$0.74. 4/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 5/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin." 6/ Information is shown for those areas for which prices are reported for at least 80% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area.

US Annual Milk Production Billion Pounds



U.S. Annual Milk Cow Number and Production per Cow



SOURCE: NASS DATA, GRAPH BY DAIRY MARKET NEWS

CCC PURCHASES OF DAIRY PRODUCTS

FOR THE WEEK OF MARCH 12 - 16, 2001				CUMULATIVE TOTALS				UNCOMMITTED INVENTORIES#				
TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/00	SAME PERIOD LAST YEAR	PERIOD ENDING 03/09/01	SAME PERIOD LAST YEAR	PERIOD ENDING 03/09/01	SAME PERIOD LAST YEAR	PERIOD ENDING 03/09/01	SAME PERIOD LAST YEAR	PERIOD ENDING 03/09/01	SAME PERIOD LAST YEAR
BUTTER												
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE												
Block	-0-	-0-	-0-	3,050,083	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	4,025,276	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	4,039,200	792,000	792,000	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	11,114,559	792,000	792,000	-0-	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK												
Nonfort	12,716,249	1,269,184	11,447,065	222,264,195	165,759,043	165,759,043	451,693,000	451,693,000	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	26,867,069	5,313,347	5,313,347	37,339,000	37,339,000	-0-	-0-	-0-	-0-
TOTAL	12,716,249	1,269,184	11,447,065	249,131,264	171,072,390	171,072,390	489,032,000	489,032,000	-0-	-0-	-0-	-0-

#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, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS	MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 12 - 16, 2001 =	2.5	133.2	11.6	178.2
CUMULATIVE SINCE OCTOBER 1, 2000 =	157.4	3,009.9	53.4	2,008.1
CUMULATIVE JANUARY 1 - MARCH 16, 2001 =	40.9	1,527.3	42.1	1,415.0
COMPARABLE WEEK IN 2000 =	11.6	178.2	53.4	2,008.1
COMPARABLE CALENDAR YEAR 2000 =	42.1	1,415.0	42.1	1,415.0

* Factors used for Milkfat 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 MARCH 12 - 16, 2001 (POUNDS)									
REGION	BUTTER			CHEESE			NONFAT DRY MILK		
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED%	FORTIFIED	
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	257,937	-0-	
WEST	-0-	-0-	-0-	-0-	-0-	-0-	11,189,128	-0-	
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	

%CORRECTION: THE TOTALS HAVE BEEN ADJUSTED TO REFLECT 171,910 POUNDS INCORRECTLY CANCELLED FROM THE WEST THAT WAS FROM THE MIDWEST

CCC ADJUSTED PURCHASES SINCE 10/1/00 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL										
REGION	BUTTER			CHEESE			NONFAT DRY MILK			MILK EQUIVALENT
	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00	2000/01	1999/00
MIDWEST	0	0	6,035,040	1,702,800	2,105,246	17,141,425	35.8	26.5	100.0	100.0
WEST	0	0	5,039,919	0	246,026,018	152,533,611	64.0	62.9	100.0	100.0
EAST	0	0	39,600	0	0	1,397,354	0.2	0.6	100.0	100.0
TOTAL	-0-	-0-	11,114,559	1,702,800	249,131,264	171,072,390	100.0	100.0	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 16, 2001

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

DOLLARS PER POUND

BUTTER: Bulk \$.6549; 1# Prints \$.6849

CHEESE: 40 & 60# Blocks \$1.1314; 500# Barrels \$1.1014; Process American 5# \$1.1839; Process American 2# \$1.2239

NONFAT DRY MILK: Nonfortified \$1.0032; Fortified \$1.0132; Instant \$1.1607

Dairy & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 02/24/01 & Comparable Week 2000

Regions*	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL	% DAIRY OF ALL
											WEEK SINCE JAN 1	WEEK SINCE JAN 1
2001-Dairy cows HD (000)	0.3	0.6	5.9	5.3	20.5	3.4	2.3	1.0	11.8	3.3	54.2	48.7
2000-Dairy cows HD (000)	0.3	1.0	6.7	6.2	19.8	2.5	0.9	0.8	12.1	3.5	53.7	49.8
2001-All cows HD (000)	0.3	0.7	7.9	15.0	30.9	12.8	18.6	5.7	13.0	6.5	111.4	919.4
2000-All cows HD (000)	0.3	1.2	9.1	13.5	28.5	12.5	13.7	4.8	13.1	5.9	102.8	863.2

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 (3.5% BF)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Class I 1/	13.99	11.94	12.65									
Class II	12.82	13.43										
Class III	9.99	10.27										
Class IV	12.13	12.70										

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