

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (10/19):

BUTTER: Grade AA closed at \$1.2500. The weekly average for Grade AA is \$1.3258 (-.1575).

CHEESE: Barrels closed at \$1.1700 and blocks at \$1.1975. The weekly average for barrels is \$1.2050 (-.1385) and blocks, \$1.2355 (-.1335).

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

BUTTER: The butter market remains weak and prices, after a three-session plateau at \$1.50, have fallen another 25 cents. Churning activity is heavy in most sections of the country. Excess cream volumes remain burdensome, but not to the degree seen the past few weeks. Bulk butter stocks are more than ample and, in some instances, growing significantly. Reports indicate that some suppliers continue to microfix their bulk as a means to clear high priced inventories. Demand for butter is seldom better than fair. Retailers, hoping for continued lower prices, are holding off buying for anticipated fall/winter needs as long as they can. The food service market is about steady.

CHEESE: The cheese market is weak as cash prices continue to decline. Demand is widely segmented; retail is generally at least moderate and fast food movement is fair to good. However, the travel (hotel and airline) and better restaurant areas continue slow. As is the usual case of declining prices, some buyers delayed orders in anticipation of possible even lower prices. Spot cheese milk interest is being affected by concerns that declines in cheese prices will exceed the decline in milk prices. Also as milk shipments into the Southeast decline seasonally, more milk remains in manufacturing channels. Cheese yields are also increasing seasonally with higher fat and protein tests on incoming milk.

FLUID MILK: Milk production is increasing in the Southern half of the nation and is generally steady in the North. Milk shipments to the South are decreasing and thereby increasing production schedules at manufacturing facilities in the North. Class I demand is steady to higher, especially where tourist activity and retail ads are noted. Condensed skim demand is steady to lower as dry NDM prices appear more attractive. The fluid cream market is weak yet supplies are in better balance than the week prior. Prices continue to decrease in response to a lower weekly CME butter average. Churning activity is heavy while ice cream output trends unchanged.

DRY PRODUCTS: Dry product markets are trending steady to weak. Fluid demand into cheese and bottling facilities is lower, encouraging higher milk intakes into NDM facilities. NDM movement is generally steady on a contractual basis yet spot load prices are trending lower. Buttermilk prices remain unchanged. Production is increasing as a result of higher cream intakes into churns. Whey supplies are mixed. Many plants are sold out while a few are carrying excess supplies at discounted prices. WPC prices are trending lower. Supplies are mixed on generally steady production schedules. Lactose continues tight with heavy export inquiry. Domestic interest for holiday candy production is good.

CCC: During the week of October 15 – 19, there were 1,764,799 pounds of Western NDM purchased under the price support program.

2002 TENTATIVE MODIFICATIONS OF THE DAIRY MARKET

NEWS NDM MARKET: Due to industry consolidation and in accordance with Agricultural Marketing Service (AMS) policy, changes in the reporting procedure for nonfat dry milk (NDM) markets are warranted. The proposed changes are vital in ensuring fair, unbiased, accurate and timely information to the industry. For detailed information, please refer to colored insert.

SEPTEMBER MILK PRODUCTION (NASS): Milk production in the 20 major states during September totaled 11.4 billion pounds, down 0.7% from September 2000. August revised production, at 11.8 billion pounds, was down 1.3% from August 2000. Production per cow averaged 1,471 pounds for September, 7 pounds (+0.5%) above September 2000. The number of cows was 7.73 million head, 91,000 head less (-1.2%) than September 2000, and 8,000 head less than August 2001.

AUGUST FLUID MILK HIGHLIGHTS (AMS, CDF): During August, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 0.7% lower than August 2000. On an individual product basis, sales of reduced fat (2%) milk and low fat (1%) milk increased from August 2000, while sales of whole milk, fat-free (skim) milk and buttermilk decreased from a year earlier.

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES (WASDE): Projected milk production for 2001/02 is slightly lower than last month as the number of cows is reduced slightly. The 2001/02 Class III and Class IV prices are lowered from last month as dairy product prices have weakened. The 2001/02 all milk price is reduced to \$13.55-\$14.35.

SEPTEMBER FEDERAL MILK ORDER PRICE & POOL SUMMARY (DAIRY PROGRAMS): During September, about 9.7 billion pounds of milk were received from producers. This volume of milk is 6.3% higher than the September 2000 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.2%.) About 3.7 billion pounds of producer milk were used in Class I products, 3.9% lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2001 as compared to 2000. The all-market average Class utilizations were; Class I = 38%, Class II = 11%, Class III = 42%, and Class IV = 9%. The weighted average statistical uniform price was \$17.08, \$0.24 higher than last month, and \$4.34 higher than last year.

CCC SELLBACK OF NDM FOR ANIMAL FEED (FSA): Under invitation 014 to announcement RSC1, the Kansas City Commodity office announced the sale of 4,976,281 pounds of nonfat dry milk for use other than human consumption. Prices ranged \$0.6215 - \$0.6810 per pound.

FEDERAL MILK ORDER ADVANCE PRICES (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price for Class I milk for November 2001 is \$15.76. This price is derived from the advanced Class III skim milk pricing factor of \$9.60 and the advanced butterfat pricing factor of \$1.8556 per pound. Class I differentials specific to each order are added to the base price to determine the Class I price. The Class II skim milk price for November is \$7.96 and the Class II nonfat solids price is \$0.8844 per pound. The following are the two-week product price averages: butter \$1.6366, nonfat dry milk \$0.9468, cheese \$1.6777, and dry whey \$0.2841.

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

TENTATIVE MODIFICATIONS OF DAIRY MKT NEWS NDM MARKET
(BLUE INSERT)
SEPTEMBER MILK PRODUCTION (PAGE 7)
AUGUST FLUID MILK SALES (PAGE 8)

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES (PAGE 9)
DAIRY GRAPHS (PAGE 10)
SEPTEMBER FEDERAL MILK ORDER PRICE & POOL SUMMARY (PAGE 11)

**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

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

PRODUCT	MONDAY OCTOBER 15	TUESDAY OCTOBER 16	WEDNESDAY OCTOBER 17	THURSDAY OCTOBER 18	FRIDAY OCTOBER 19	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.2225 (-.0200)	\$1.2200 (-.0025)	\$1.2175 (-.0025)	\$1.1950 (-.0225)	\$1.1700 (-.0250)	-.0725	\$1.2050 (-.1385)
40# BLOCKS	\$1.2550 (-.0150)	\$1.2525 (-.0025)	\$1.2450 (-.0075)	\$1.2275 (-.0175)	\$1.1975 (-.0300)	-.0725	\$1.2355 (-.1335)
BUTTER							
GRADE AA	\$1.3975 (-.0525)	----	\$1.3300 (-.0675)	----	\$1.2500 (-.0800)	-.2000	\$1.3258 (-.1575)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.9900 and Grade A price is \$1.0000. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, OCTOBER 15, 2001

CHEESE — SALES: 6 CARS 40# BLOCKS: 1 @ \$1.2675, 4 @ \$1.2700, 1 @ \$1.2800; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 5 CARS BARRELS: 1 @ \$1.2225, 1 @ \$1.2250, 3 @ \$1.2350; 11 CARS 40# BLOCKS: 2 @ \$1.2550, 1 @ \$1.2700, 1 @ \$1.2725, 1 @ \$1.2750, 1 @ \$1.2775, 5 @ \$1.2800

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.4250, 1 @ \$1.4275, 1 @ \$1.4275, 1 @ \$1.4275, 1 @ \$1.3975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 23 CARS GRADE AA: 3 @ \$1.4000, 1 @ \$1.4050, 1 @ \$1.4075, 1 @ \$1.4100, 2 @ \$1.4125, 1 @ \$1.4150, 1 @ \$1.4200, 1 @ \$1.4225, 1 @ \$1.4250, 1 @ \$1.4275, 1 @ \$1.4300, 1 @ \$1.4325, 1 @ \$1.4350, 1 @ \$1.4375, 1 @ \$1.4500, 3 @ \$1.4600, 2 @ \$1.4700

TUESDAY, OCTOBER 16, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.2200; 8 CARS 40# BLOCKS: 2 @ \$1.2550, 1 @ \$1.2500, 1 @ \$1.2525, 1 @ \$1.2550, 1 @ \$1.2525, 1 @ \$1.2550, 1 @ \$1.2525; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS BARRELS: 2 @ \$1.2200, 2 @ \$1.2225; 6 CARS 40# BLOCKS: 2 @ \$1.2525, 4 @ \$1.2550

WEDNESDAY, OCTOBER 17, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.2200; 2 CARS 40# BLOCKS: 1 @ \$1.2425, 1 @ \$1.2450; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2175, 1 @ \$1.2200; 4 CARS 40# BLOCKS @ \$1.2625

BUTTER — SALES: 5 CARS GRADE AA: 1 @ \$1.3750, 1 @ \$1.3625, 1 @ \$1.3500, 1 @ \$1.3400, 1 @ \$1.3300; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.3200; OFFERS UNCOVERED: 3 CARS GRADE AA: 1 @ \$1.3600, 1 @ \$1.3950, 1 @ \$1.3975

THURSDAY, OCTOBER 18, 2001

CHEESE — SALES: 1 CAR BARRELS @ \$1.2050; 9 CARS 40# BLOCKS: 1 @ \$1.2375, 1 @ \$1.2400, 1 @ \$1.2375, 1 @ \$1.2250, 2 @ \$1.2300, 1 @ \$1.2200, 1 @ \$1.2300, 1 @ \$1.2275; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS BARRELS: 1 @ \$1.1950, 3 @ \$1.2075, 2 @ \$1.2175; 11 CARS 40# BLOCKS: 3 @ \$1.2300, 2 @ \$1.2375, 3 @ \$1.2400, 3 @ \$1.2450

FRIDAY, OCTOBER 19, 2001

CHEESE — SALES: 4 CARS 40# BLOCKS: 2 @ \$1.2100, 2 @ \$1.2000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS BARRELS: 1 @ \$1.1700, 3 @ \$1.1950; 20 CARS 40# BLOCKS: 1 @ \$1.1975, 1 @ \$1.2000, 1 @ \$1.2050, 1 @ \$1.2075, 6 @ \$1.2100, 5 @ \$1.2200, 1 @ \$1.2225, 1 @ \$1.2250, 3 @ \$1.2275

BUTTER — SALES: 6 CARS GRADE AA: 1 @ \$1.2850, 1 @ \$1.2750, 1 @ \$1.2650, 1 @ \$1.2550, 2 @ \$1.2500; BIDS UNFILLED: 2 CARS GRADE AA @ \$1.2400; OFFERS UNCOVERED: 7 CARS GRADE AA: 1 @ \$1.2900, 1 @ \$1.2950, 1 @ \$1.3025, 1 @ \$1.3050, 1 @ \$1.3100, 1 @ \$1.3150, 1 @ \$1.3300

BUTTER MARKETS

NORTHEAST

The market tone remains weak. The price of butter at the CME continues to fall. After three sessions of closing at \$1.50 (10/5, 8, 10), the price (as of 10/15) has declined another 10.25 cents. Offerings at the Exchange easily exceed the demand, which reflects the supply/demand relationship in the market as a whole. Buyers are not eager to buy at this time and prefer to wait for prices to stabilize before reentering the market. Churning activity is heavier in the East and Midwest as cream supplies remain excessive. Demand for bulk and print butter is slow to fair, at best. Retail sales are still slow. For the most part, retail prices are little changed since August 31 when the CME butter price was \$2.2250. Food service orders are generally slower. Sales of bulk butter, f.o.b. East, are reported in a range of 3.5 – 8.0 cents over the CME price/average.

CENTRAL

The butter market remains weak as the cash price continues to decline at the CME. Following a three-session price of \$1.50, the price through 10/17 has lost another 17 cents and is at its lowest level since late February 2001. Stocks of butter vary, but are generally heavy. At recent CME trading sessions, offers easily exceeded demand. Buying interest for bulk and/or packaged butter is lackluster at best as buyers wait to see where prices will “settle out” before making new purchases. Most sales are to cover normal orders or needs. Churning activity is heavy as volumes of excess cream have not diminished in the past several weeks. With all the cream that is available, butter makers can

basically name their terms for cream purchases. Retail sales are slow. Following an 82.75-cent drop in the CME butter price since August 31, a cursory survey of local (Madison, WI & vicinity) grocery stores shows this week’s butter prices, depending on brand, are little changed and often above \$3.00. Some features are in effect around the \$2.00 level. Food service orders are about steady. When available, bulk butter for spot sale is selling in a price range of 3 – 5 cents per pound over various pricing basis.

WEST

Sales of bulk butter are rated as slow, while prints are clearing in a more normal seasonal pattern. Selling cream remains a difficult exercise. Buying interest continues to be very light because of continued weak pricing for butter. Pricing levels for California cream based on class prices make it even harder to sell. Retail print butter prices appear to be very slow to adjust to the declining cash CME price. Contacts are concerned that if prices do not begin to adjust soon, that the holiday sales season will be much lighter than previous years. Weekly stocks in CME approved warehouses fell 1.27 million pounds this past week and now stand at 42.5 million pounds. Stocks have fallen 27.2 million pounds over the last ten weeks. Last year over the comparable time period, stocks fell 44.0 million pounds to 46.7 million pounds. Current prices for bulk butter range from 8 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			
OCTOBER 13	1.6597 6,733,487	1.6202 10,115,066	0.9450 16,383,883	1.5416 3,595,688	0.2840 11,627,535

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 sharply lower on all items except Swiss. The market tone is weak and unsettled. Buyers/distributors are hesitant to take more than current orders will clear. Most want to stay as current as possible and avoid getting caught with too much "high-priced" cheese. Demand for cheese is coming into the generally good fall season, but with prices falling as they have been, buyers are postponing their orders as long as they can. Food service orders are slower in some segments of the market and this is having an impact on cheese orders. Cheese output is steady to lower as cheese makers gear their output to their lower sales levels.

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

Cheddar 10# Prints	:	1.4150-1.8850
Cheddar Single Daisies	:	1.3725-1.8325
Cheddar 40# Block	:	1.5100-1.6925
Process 5# Loaf	:	1.5525-1.7150
Process 5# Sliced	:	1.5725-1.8325
Muenster	:	1.5750-1.7825
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is weak. Prices declined again this week at the Chicago Mercantile Exchange cash cheddar market. The cash block price has declined from \$1.78 in late August to the mid-\$.1.20's this week. Barrels have tumbled from \$1.6825 in mid-September to the low 1.20's currently. A few traders feel that cheese prices could rebound in the short term if prices ever plateau. It is still too early for early holiday gift pack season results. Current cheese offerings have increased as buyers have backed off, especially on spot orders. Food service interest remains split, fairly steady at the fast food level but still generally slow to better restaurants and hotels as well as airline accounts. Retail movement is mixed; some operations are seeing good steady movement while others feel recent price declines have buyers delaying orders until prices stabilize. Rebuilding inventory at current levels is more palatable than at recent levels. Cheese yields continue to recover seasonally. Plant operators faced with surplus milk purchases/sales are looking at limiting production to just filling needs this month with the expectations of lower milk prices next month.

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

Process American 5# Loaf	:	1.5625-2.0500
Brick And/Or Muenster 5#	:	1.9600-2.0400
Cheddar 40# Block	:	1.7800-2.1150
Monterey Jack 10#	:	1.9975-2.2300
Blue 5#	:	2.1500-2.6900
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.8400-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.4550-2.6900

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	OCTOBER 15 - 19, 2001
BARRELS*	:	\$1.2200 - 1.3425 (NOMINAL)
	:	(-\$.1300) (-.2525)
40# BLOCKS	:	\$1.2425 - 1.3700 (NOMINAL)
	:	(-\$.1575) (-.2425)

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

WEST

Natural and process prices are sharply lower and expected to fall again next week. Contacts are a little surprised at the speed of the decline. There doesn't seem to be sign of a bottom yet. End user cheese stocks are on the light side, but they are not expected to jump back in for much volume until they believe there is not too much of a chance of a further decline. Food service orders remain slow. Retail prices have not adjusted very much yet so store sales remain stagnant. Demand for mozzarella is often rated as good. The school season has caused strong demand to return. Most Swiss producers see a strong fall season ahead of them at this time. Overall cheese production in the West is about on trend.

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

Process 5# Loaf	:	1.4950-1.7550
Cheddar 40# Block	:	1.4900-1.6525
Cheddar 10# Cuts	:	1.6700-1.8900
Monterey Jack 10#	:	1.7150-1.8400
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.5800

FOREIGN

Prices for domestically made cheese, often based on the CME weekly average 40#block price, dropped nearly twenty-five cents last week. The market tone is mixed. Demand for foreign type cheese typically improves during the fall, but as domestic cheese prices drop, buyers continue to wait for prices to stabilize before returning to the market. This despite the fact that holiday orders are needing to be placed pretty soon. According to an USDA report, August cheese imports, subject to licensing, totaled 23.1 million pounds, down approximately 7% from August 2000. Year-to-date (January-August) licensed cheese imports total 166.2 million pounds, 2% more than same period a year earlier.

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	: 1.7175-3.2125*
Gorgonzola	: 3.2400-5.9400	: 2.2175-2.4900*
Parmesan (Italy)	: TFEWR	: 3.1325-3.1875*
Romano (Italy)	: 2.1000-2.9900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.7250-1.9450*
Romano (Cows Milk)	: -0-	: 2.9075-5.0850*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.5900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9500	: -0-
Gouda, Large	: 2.3900-2.6800	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

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

	BUTTER	: CHEESE
10/15/01	28,912	: 120,872
10/01/01	29,328	: 125,498
CHANGE	-416	: -4,626
% CHANGE	-1	: -4

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	67	0	96	0	4	0
SOUTHEAST STATES	127	0	127	0	89	0

Regional Milk Market Administrators announced the following, September 2001 uniform prices: Northeast \$17.76 (record high), Mideast \$16.87, Southeast \$18.09, Florida \$19.45, and Western New York (a state order) \$17.15 at the base cities/counties in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) During September, milk production in the 20 major states totaled 11.37 billion pounds, down 0.7% from September 2000. The following are the September-to-September changes for selected states: Florida unchanged, Virginia -0.7%, New York -1.2%, Pennsylvania -1.7%, Vermont -2.7%, Kentucky -3.1%, and Texas -10.1%. For the above-mentioned states, the combined milk cow numbers are 2,134,000 head, down 76,000 from last September. Milk cows in the twenty major states total 7,729,000 head, down 91,000 from a year earlier. Milk production is increasing in most sections of the region. Although gains are slight, the larger gains are noted in the Southeast. However, an early-week cold snap in the South may slow the gains until the cows adjust. In the Northeast, milk output gains are seasonal and milk supplies remain heavy. The need for "imported" milk in Florida and other Southeastern states is easing. This week's shipment totals are lower in Florida and steady in the other Southeast states. However, next week's imports will be markedly lower as some supply contracts are being cut off several weeks early. Bottled milk sales are steady to improved. In Florida, contacts note that winter residents are already starting to show up and this is helping consumption. Surplus milk volumes are increasing and manufacturing plant schedules are being altered to handle the extra milk. The condensed skim market is basically steady. Demand is fair to good, but with wet solids prices often higher than NDM, some cheese makers are switching to powder. This leaves more condensed skim to be dried and area dryers have increased output in the past few weeks. The fluid cream market remains weak, but "things" aren't as desperate as they have been. Supplies are still more than ample and demand is only slightly improved. Prices are sharply lower following a 16+ cent drop in last week's average price of butter at the CME. As the price per pound fat drops, demand seems to be improving. Producers of UHT bottled cream and aerosol whipped cream have stepped up output to meet anticipated Thanksgiving needs. Sour cream and cream cheese production are steady to slightly heavier. An increased number of sales to cream cheese makers were reported this week. Ice cream production is about steady. Churning activity is heavier as more local churns are in operation. Quite a few loads of excess cream continue to move to Midwestern butter plants.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT	
F.O.B. PRODUCING PLANTS: NORTHEAST	- 1.7058-2.0173
DELIVERED EQUIVALENT ATLANTA	- 1.7058-1.9283 M 1.7800-1.8541
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	- 1.8690-1.9283
PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS	
F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- 1.0700-1.1100
NORTHEAST- CLASS III - SPOT PRICES	- 1.0000-1.1800

M I D W E S T

Class I demand was steady, though as usual, retail feature activity was stimulating sales in selected markets. Some additional fluid shipments to Southern buyers from upper Midwestern states are coming to a close for another season while others continue unfettered. Offerings of manufacturing, often commingled, milk have increased in part due to the likelihood of "red ink" for manufacturing plants due to the larger declines in butter and cheese prices compared to the expected drop in milk prices. Manufacturing milk interest is steady to slower. On a light test, spot manufacturing prices range from

\$1.10 - 1.75 over, with the higher end prices delivered. Unconfirmed reports of weekend manufacturing milk offerings at flat class were also noted. Delaying spot milk purchases until next month could improve plant profitability temporarily. A few plants are also trying to keep inventory from accumulating. Manufacturing yields continue to increase seasonally. Condensed skim interest is lighter from Class III accounts. Reported condensed skim prices range from \$1.05 - 1.0828 on a light test. Cream demand remains weak as offerings to churns remain seasonally heavy. Milk production is steady to slightly lower seasonally. The fall harvest and tillage season is well underway. The initial September 2001 estimated milk production in selected major Midwestern states compared with September 2000 is: Wisconsin 1.741 billion pounds, down 140 million pounds (-7.4%); Minnesota 694 million pounds, off 37 million pounds (-5.1%); Michigan 458 million pounds, up 3 million pounds (0.7%), and Iowa 295 million pounds, off 17 million pounds (-5.4%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	OCT 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 37.00- 42.00	\$ 35.00- 40.00
REPLACEMENT HEIFER CALVES	\$500.00-605.00	\$330.00-430.00

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

	OCT 11 - 17	PREVIOUS YEAR
SLAUGHTER COWS	\$ 41.25- 45.50	\$ 32.50- 44.50

W E S T

Third quarter milk production for selected Western states compared to last year is as follows: Arizona -0.1%, California +3.6%, Colorado +5.3%, Idaho +6.7%, New Mexico +8.1%, Oregon -0.5%, Utah -6.8%, and Washington -0.1%. The US comparable number is down 1.3%. U.S. milk production in the 20 surveyed states totals 11.4 billion pounds for September, down 0.7% from September 2000. Production was lower in 13 of the 20 states. September output for selected Western states compared to last year is as follows: Arizona +1.4%, California +4.9%, Idaho +7.5%, New Mexico +8.3%, and Washington -0.4%. The revised August figures recorded an interesting milestone. In August 2001, California milk production was greater than the production of Wisconsin and New York, the number 2 and 3 milk producing states, combined. In August 1993, California passed Wisconsin as the leading milk producing state. The November Class I prices in California range from \$16.14 in the north to \$16.42 in the south. The statewide average Class I price based on production is \$16.20. The average is \$1.59 lower than October but \$2.38 higher than November 2000. Milk production conditions are mostly favorable across the Southwest. In California, milk production continues to outpace year ago levels, albeit a year ago cows were having lingering heat related effects. Fluid milk orders are noted to be steady to slightly higher. Sales of condensed skim are still good. The declines in both the butter and cheese market have not created much shifting of milk between plants. Milk production in Arizona and New Mexico is trending mostly steady with past weeks. Haying is winding down in northern New Mexico but continues into the sixth cutting in the south. Western cream markets remain widely priced this week, continuing to reflect the unsettledness in the butter market. Sales are very often highly negotiated and a majority of cream is being churned. Multiples remain wide, ranging 100 to 124 FOB. Final pricing is even more variable depending on the basing point. Milk production ranges from steady to slightly lower in the Pacific Northwest. Weather conditions are moderate and not causing any short run problems. Reports are noted that poor hay quality is causing production to drop between 5 and 10 pounds per animal in some herds. The hay is not very palatable and is of lower feed value. Contacts are wondering what conditions will be like as we approach spring and hay stocks run short. A number of manufacturing plants are operating on reduced production schedules. Heifer prices remain firm and demand is often going unfilled. Sellers wonder what impact the \$3-4 imminent decline in milk prices will have on their market. Producers and plants in the northern Mountain States region note that fat and protein tests on milk is increasing at a faster seasonal rate, but volumes are often noted as being lower. Some manufacturing plants are buying outside milk to maintain efficient operating schedules.

**2002 TENTATIVE MODIFICATIONS OF THE DAIRY MARKET NEWS
NONFAT DRY MILK MARKET**

Due to industry consolidation and in accordance with Agricultural Marketing Service (AMS) policy, changes in the reporting procedure for nonfat dry milk (NDM) markets are warranted. The proposed changes are vital in ensuring fair, unbiased, accurate and timely information to the industry. As the primary user of this information, we encourage your feedback. To make comments or suggestions, please reply by 11/09/01.

Fax:
608-224-5078

Mail:
USDA Dairy Market News
(NDM Comments)
P.O. Box 8911
Madison, WI 53708-8911

Email:
Donald.Nelson@usda.gov

2002 NDM MARKETS

Central/East Market

Existing Central and Eastern markets will be combined (for NDM only).

1. Low/Medium Heat FOB and delivered range
2. High Heat FOB and delivered range
3. Low/Medium Heat resale range from brokers, resellers, jobbers, and end-users

Mostly prices are intended in each price series. Resale prices would involve powder under 1 year old. Resale prices are sought from brokers, resellers, jobbers, and end-users. As with any commodity reported by Dairy Market News, voluntary information provided by buyer and/or seller into domestic or export markets will be valid indicators of price, supply and demand in the Central/East market. Prices represent CL/TL quantities packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound, Extra Grade & Grade A product. (Note: The Southeast delivered market will be discontinued)

West Market

The West NDM market will also carry 3 price series.

1. Low/Medium Heat FOB range and mostly – No change from current report
2. High Heat FOB range – No change from current report
3. Low/Medium Heat resale range from brokers, resellers, jobbers, and end-users
(Mostly prices are intended in this series)

Resale prices would involve powder under 1 year old. Resale prices are sought from brokers, resellers, jobbers, and end-users. As with any commodity reported by Dairy Market News, voluntary information provided by buyer and/or seller into domestic or export markets will be valid indicators of price, supply and demand in the West market. Prices represent CL/TL quantities packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound, Extra Grade & Grade A product.

TIMELINE

- Friday, October 19, 2001 - Report 42 – Announcement of NDM changes published
- Friday, November 9, 2001 – Comments & suggestions to Dairy Market News are due
- Friday, December 7, 2001 – Report 49 – Final notice of proposed changes published
- Friday, January 4, 2002 – Report 01 – NDM market changes are implemented and published

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 10/18/01 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 to lower and nominal on a steady to weak market. Fluid demand into bottling and cheese facilities is lower, encouraging higher milk intakes into NDM plants. Some plants are discounting in order to keep stocks in line prior to any substantial increases in milk production. Locations that were previously short of supplies are now able to offer product on a limited basis. Demand is best from the resale market. Western supplies remain competitive at prices below the average on a delivered basis. High heat production is unchanged with most plants operating off of inventories for contractual interest.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .9600 - 1.0175 MOSTLY: .9600 - 1.0175

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a mostly steady market. Excess cream supplies continue to flow into churns, increasing condensed buttermilk output. Movement of condensed buttermilk is steady into ice cream facilities in the South and lighter in the North Central region. Drying schedules and stocks are increasing yet sales remain light. Buyers are expecting downward movement in the market given the price drops in CME butter prices over the last few weeks. Offerings are light.

BUTTERMILK: 1.0500 - 1.1150

DRY WHEY - CENTRAL

Prices are unchanged to lower on an unsettled market. Some cheese facilities are attempting to divert milk away from cheese vats in light of lower CME cheese prices. However, whey output is trending generally unchanged. Supplies are mixed. With many plants sold out or tight on supplies, some plants still find the need to discount in order to clear excess stocks. Resale offers are trending close to the average. Traders are hesitant to partake in the market unless an end-user is guaranteed. Demand is light to fair with most movement reported on contracts. Condensed movement is higher into some WPC/lactose facilities while feed operations report limited end-use availability.

NONHYGROSCOPIC: .2850 - .2925 MOSTLY: .2875 - .2925

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on a generally steady market. Milk replacer supplies are light for the limited interest. Offering prices near the Extra Grade average are being met with resistance as buyers await price decreases as seen in the cheese market. Roller ground production and movement are generally unchanged. Delactose supplies remain short of demand as interest increases into process cheese facilities for the holiday season. Most trading is on a contractual basis for the good feed demand. The early weaned pig market is steady while North Central veal prices are trending lower.

MILK REPLACER: .2300 - .2675
 ROLLER GROUND: .2750 - .3000
 DELACTOSE (Min. 20% protein): .4150 - .4300

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a steady to firm market. Delayed fourth quarter responses from the trade induced a market adjustment higher. Spot trading is generally light. Most plants are sold out and often shorting contractual commitments. Asian buyers are expressing a strong interest in additional supplies as insufficient contracts were gained during the fourth quarter. European supplies are reportedly tight, deterring market competition or downward pressure on export prices. Domestically, movement into candy facilities for the holiday season is increasing. Feed interest is light as Extra Grade prices are trending higher than desired. Off grade supplies are tight and difficult to find.

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

EDIBLE: .2000 - .2675 MOSTLY: .2050 - .2300

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a steady to weak market. Trading remains light. While some producers are offering at lower prices than the week prior, buyers generally remain price resistant, especially at discounts of 2-3 cents under the average. Some offers are reportedly at the lower end of the range. Production is mostly unchanged. While cheese interest is slowing, some WPC plant managers have a strong interest in maintaining milk intakes into cheese vats in order to guarantee lactose, 34% and high protein products to end-users. At other locations, decreases in cheese output and thereby WPC supplies would aid in alleviating building stocks. WPC remains an attractive substitute to NDM into export markets. However, continued CCC NDM sell back supplies are suspected to encourage downward pressure on the WPC market during the remainder of the fourth quarter and into next year. Off grade supplies are tight for the good interest.

EXTRA GRADE 34% PROTEIN: .7000 - .7900 MOSTLY: .7650 - .7775

NONFAT DRY MILK - WEST

Low/medium heat NDM prices are slightly changed on both ends of the range, but the mostly is unchanged. Trading activity remains rather limited beyond contracts and spot demand is showing only limited increases from seasonal accounts. There are indications that cheese producers are using less NDM and condensed skim in fortifying/standardizing cheese vats. This could lead to more NDM being dried and available on the market. During the week of October 8 - 12, Western producers offered 2,826,220 pounds of NDM to the CCC. Offerings continued this week. Contacts are talking about the potential for DEIP orders soon. World NDM prices are being noted throughout the 80's (cents) range. High heat prices are steady in limited trading. Seasonal interest has improved the sales activity for several producers. There remains dryer room to make high heat.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .9000 - 1.0225 MOSTLY: .9300 - .9600
 HIGH HEAT: .9700 - 1.0400

DRY BUTTERMILK - WEST

Dry buttermilk prices are unchanged and the market tone remains unsettled. Buying activity is fair at best and buttermilk is slow to clear for the limited spot offerings. Some additional demand is noted from seasonal food accounts. Drying schedules are higher with more butter being made and less cream moving into ice cream manufacturing. In addition, fat levels of incoming milk are increasing seasonally. Stocks are light to moderate.

BUTTERMILK: 1.0300 - 1.0750 MOSTLY: 1.0400 - 1.0500

DRY WHEY - WEST

Western whey prices are generally steady. Export business to the Far East is often slower because of high US prices and monetary issues. Domestic sales are often rated as good. Some buyers continue to wait for delivery of product and are paying premiums. Other buyers report good offerings and some lower prices. On balance, the market appears to be steady. Inventories at the producer level are at good working levels with little if any surplus noted.

NONHYGROSCOPIC: .2600 - .2950 MOSTLY: .2675 - .2800

CALIFORNIA MANUFACTURING PLANTS - NONFAT DRY MILK

WEEK ENDING	PRICE	POUNDS
October 12	\$.9374	10,189,100
October 5	\$.9399	10,003,774

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

Prices are unchanged and remain nominal in the Northeast. The market tone is steady. Drying schedules are up slightly as more surplus milk is available and occasionally slower sales of condensed skim are noted. The need for milk in the Southeast is easing and some supply contracts are being halted this week. This should keep more milk in the Northeast and Middle Atlantic areas for processing. Plant stocks remain closely balanced and the powder that is available is already cleared. Demand is up slightly and easily clears most Eastern-made NDM.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: .9675 - 1.0050 MOSTLY: .9700 - .9775
HIGH HEAT: 1.0000 - 1.0250 MOSTLY: 1.0050 - 1.0200

DELVD SOUTHEAST:

ALL HEATS: .9900 - 1.0500

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices remain nominal and unchanged. The market tone is steady. Production levels are up in more plants now that churning activity is increasing. Sales of condensed buttermilk are holding up rather well, but drying is heavier at some plants. Demand for dry buttermilk is fair, but buyers are often looking for "better" prices. Some "C disk" powder is available at a discount and attracting some interest. Producer inventories are closely balanced.

F.O.B. NORTHEAST: 1.0400 - 1.0600
DELVD SOUTHEAST: 1.0650 - 1.0950

DRY WHOLE MILK - NATIONAL

Prices are steady to lower and nominal. The market tone is unchanged. There is little spot demand as most producers dry only to fill orders. Producer stocks are closely balanced. Demand is fair.

F.O.B. PRODUCING PLANT: 1.3700 - 1.5325

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2001 THROUGH OCTOBER 12, 2001
WITH CHANGES FROM PREVIOUS REPORT

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

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

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged and nominal. The market tone is unsettled. Reports of lower prices in the Midwest have Eastern producers and traders concerned. Most report a continued tight supply and a relatively sluggish spot demand. Eastern producers are, for the most part, sold out and barely able to meet contract shipping schedules. The occasional spot offering has little difficulty clearing at or above the current market price. With less Northeastern milk destined for the Southeast, cheese makers may have more milk to process in the coming week. However, with cheese prices continuing to fall, the incentive to make cheese isn't there. Overall demand is termed as unaggressive or quiet. Some plant-specific demand was filled in the resale market at higher than normal premiums. An unconfirmed report of Eastern Extra Grade dry whey selling below the market was noted.

F.O.B. NORTHEAST: EXTRA GRADE .2950 - .3000
USPH GRADE A .2900 - .3100
DELVD SOUTHEAST: .3175 - .3225

EVAPORATED MILK - NATIONAL

Prices are steady. The market tone remains steady and highly competitive. Demand is starting to improve as we enter the "baking season." Retail features usually become more common as we near Thanksgiving. Production levels are steady to slightly heavier. In more areas of the country, surplus milk volumes are increasing.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

No price changes were reported for either casein type. Generally, rennet casein prices are more firm that acid at this time. The weakness in the natural cheese markets may create less demand for imitation and analog cheese products and blends. There is availability of both types in the US to fill current needs, but there are concerns about the timing of incoming imports due to heightened security at ports.

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

RENNET: 2.4000 - 2.7300
ACID: 2.4500 - 2.6500

SEPTEMBER MILK PRODUCTION

Milk production in the 20 major states during September totaled 11.4 billion pounds, down 0.7 percent from September 2000. August revised production, at 11.8 billion pounds, was down 1.3 percent from August 2000. The August revision represented an decrease of 0.5 percent or 56 million pounds from last month's preliminary production estimate. Production per cow in the 20 major States averaged 1,471 pounds for September, 7 pounds above September 2000. The number of cows on farms in the 20 major states was 7.73 million head, 91,000 head less than September 2000, and 8,000 head less than August 2001. The July-September quarterly production of milk for the U.S. was 40.6 billion pounds, 1.3 percent below the July-September period last year. The average number of milk cows in the U.S. during the July-September quarter was 9.10 million head, 128,000 head less than the same period last year.

STATE	MILK COWS ^{1/} ^{2/}				MILK PRODUCTION ^{1/} ^{3/}			
	SEPTEMBER		JULY-SEPTEMBER		SEPTEMBER		JULY-SEPTEMBER	
	2000	2001	2000	2001	2001	% CHANGE FROM 2000	2001	% CHANGE FROM 2000
	THOUSANDS				MILLION LBS.	PERCENT	MILLION LBS.	PERCENT
AL	C	C	24	21	C	C	64	-11.1
AK	C	C	0.9	1.1	C	C	3.61	10.1
AZ	140	140	140	140	216	1.4	673	-0.1
AR	--	--	42	40	C	C	108	-8.5
CA	1,540	1,601	1,533	1,595	2,722	4.9	8,351	3.6
CO	--	--	89	93	C	C	513	5.3
CT	--	--	26	24	C	C	109	-3.5
DE	C	C	9.5	9.0	C	--	36.5	14.1
FL	157	152	157	153	168	--	533	--
GA	--	--	87	85	C	C	317	2.3
HI	--	--	8.0	7.4	--	--	27.1	-9.1
ID	356	372	355	371	658	7.5	2,020	6.7
IL	120	115	120	115	155	-4.3	475	-5.4
IN	148	154	147	154	203	7.4	625	7.4
IA	215	206	215	207	295	-5.4	908	-6.2
KS	--	--	91	90	C	C	365	-1.4
KY	132	127	132	128	125	-3.1	388	-2.5
LA	--	--	57	55	C	C	131	-9.0
ME	--	--	39	38	C	C	167	0.6
MD	--	--	83	82	C	C	317	-1.9
MA	--	--	22	21	C	C	90	-5.3
MI	300	301	301	302	458	0.7	1,427	-0.1
MN	530	510	532	510	694	-5.1	2,135	-5.9
MS	--	--	36	35	C	C	105	-6.3
MO	153	142	153	144	145	-12.1	447	-14.7
MT	--	--	18	19	C	C	87	10.1
NE	--	--	77	71	C	C	274	-12.2
NV	--	--	25	25	C	C	122	-0.8
NH	--	--	18	18	C	C	79	5.3
NJ	--	--	16	15	C	C	61	-6.2
NM	258	270	255	268	459	8.3	1,407	8.1
NY	678	670	682	672	945	-1.2	2,963	-0.8
NC	--	--	71	67	C	C	281	-0.4
ND	--	--	48	44	--	--	162	-8.5
OH	264	257	263	258	352	-1.9	1,079	-1.7
OK	--	--	91	89	C	C	315	-1.3
OR	--	--	90	90	C	C	426	-0.5
PA	619	596	619	598	864	-1.7	2,655	-2.6
RI	-	--	1.8	1.4	C	C	5.7	-16.2
SC	--	--	22	20	C	C	81	--
SD	--	--	102	99	--	--	406	-1.7
TN	--	--	94	91	C	C	315	-1.6
TX	346	319	348	322	356	-10.1	1,113	-10.2
UT	--	--	97	93	C	C	408	-6.8
VT	159	152	160	152	218	-2.7	671	-3.2
VA	119	118	120	118	144	-0.7	447	--
WA	247	247	247	247	454	-0.4	1,418	-0.1
WV	-	--	17	16	--	--	63	-1.6
WI	1,339	1,280	1,342	1,283	1,741	-7.4	5,429	-7.0
WY	--	--	5.4	4.5	C	C	16.2	-14.3
20 STATE TOTAL	7,820	7,729	C	--	11,372	-0.7	--	--
U.S. ^{4/} ^{5/}	--	--	9,229	9,101	C	C	40,619	-1.3

^{1/} Preliminary. ^{2/} Includes dry cows, excludes heifers not yet fresh. ^{3/} Excludes milk sucked by calves. ^{4/} Includes states for which individual monthly estimates are not available. ^{5/} Milk cows will not add due to rounding.

SOURCE: "Milk Production," Da 1-1 (10-01), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

AUGUST FLUID MILK SALES

During August, about 4.3 billion pounds of packaged fluid milk products were sold in Federal milk order (FMO) marketing areas and California. This was 0.7 percent lower than August 2000. On an individual product basis, sales of reduced fat (2%) milk and low fat (1%) milk increased from August 2000, while sales of whole 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, AUGUST 2001, WITH COMPARISONS ^{1/}

Product Name/ Marketing Area (Order Number) ^{2/}	Sales		Change from: ^{3/}	
	Aug	Year to date	Previous Year	Year to Date
	Mil. lbs		Percent	
Whole Milk ^{4/}	1,555	12,036	-1.8	-1.4
Reduced Fat Milk (2%)	1,395	10,812	0.2	0.5
Low Fat Milk (1%) ^{5/}	652	5,394	1.4	0.9
Fat-Free Milk (Skim)	652	5,148	-1.3	-2.4
Buttermilk	48	374	-3.6	-4.3
Total Fluid Milk Products ^{2/}	4,310	33,825	-0.7	-0.7
Northeast (001)	796	6,430	-0.2	-0.3
Appalachian (005)	306	2,302	-3.1	-3.0
Southeast (007)	431	3,272	1.3	0.1
Florida (006)	239	1,879	2.1	0.8
Mideast (033)	525	4,197	-4.1	-4.0
Upper Midwest (030)	364	2,872	0.3	-0.2
Central (032)	393	3,055	-0.5	0.6
Southwest (126)	359	2,741	-1.6	-0.2
Arizona-Las Vegas (131)	108	817	3.8	2.7
Western (135)	79	588	2.6	-0.2
Pacific Northwest (124)	180	1,438	-1.0	0.6
California (---)	530	4,235	-0.8	-0.5

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

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

OCTOBER MILK SUPPLY AND DEMAND ESTIMATES*

Projected milk production for 2001/02 is slightly lower than last month as the number of cows is reduced slightly. The 2001/02 Class III and Class IV prices are lowered from last month as dairy product prices have weakened. The 2001/02 all milk price is reduced to \$13.55-\$14.35 per cwt.

Item	1999/00	2000/01 Projection <u>1/</u>		2001/02 Projection <u>1/</u>	
	<u>1/</u>	September	October	September	October
BILLION POUNDS					
SUPPLY					
BEGINNING COMMERCIAL STOCKS <u>2/</u>	7.4	8.9	8.9	7.7	8.0
PRODUCTION	167.4	165.3	165.2	169.2	169.0
FARM USE	1.3	1.3	1.3	1.2	1.2
MARKETINGS	166.1	164.1	164.0	167.9	167.7
IMPORTS <u>2/</u>	4.6	5.3	5.5	4.7	4.7
TOTAL COMMERCIAL SUPPLY <u>2/</u>	178.2	178.3	178.4	180.3	180.4
USE					
COMMERCIAL USE <u>2/ 3/</u>	168.5	170.3	170.1	172.1	172.3
ENDING COMMERCIAL STOCKS <u>2/</u>	8.9	7.7	8.0	8.0	8.0
CCC NET REMOVALS:					
MILKFAT BASIS <u>4/</u>	0.8	0.3	0.3	0.2	0.2
SKIM SOLIDS BASIS <u>4/</u>	8.5	6.5	6.3	2.0	2.5
DOLLARS PER CWT.					
MILK PRICES <u>5/</u>					
BASIC FORMULA/CLASS III PRICE <u>6/</u>	9.99	12.25-12.35	12.29	11.90-12.70	11.85-12.65
CLASS IV <u>7/</u>	11.51	13.80-14.00	13.88	12.30-13.30	11.85-12.85
ALL MILK <u>8/</u>	12.61	14.40-14.50	14.46	13.70-14.50	13.55-14.35
MILLION POUNDS					
CCC PRODUCT NET REMOVALS <u>4/</u>					
BUTTER	11	0	0	5	5
CHEESE	17	16	16	6	3
NONFAT DRY MILK	690	540	525	170	210
DRY WHOLE MILK	34	3	3	0	0
		QUARTERLY <u>9/</u>		ANNUAL <u>9/</u>	
		2001 IV	2002 I	2002 II	2001
					2002
BILLION POUNDS					
MILK PRODUCTION	40.9	42.3	43.9	165.5	169.9
DOLLARS PER CWT.					
ALL MILK PRICE <u>5/ 8/</u>	16.30-16.70	13.45-14.15	11.90-12.90	15.35-15.45	12.95-13.85
CLASS III PRICE <u>5/ 6/</u>	14.50-14.90	11.45-12.15	10.45-11.45	13.60-13.70	11.30-12.20
CLASS IV PRICE <u>5/ 7/</u>	13.50-13.90	11.60-12.30	11.10-12.10	14.10-14.20	11.60-12.50

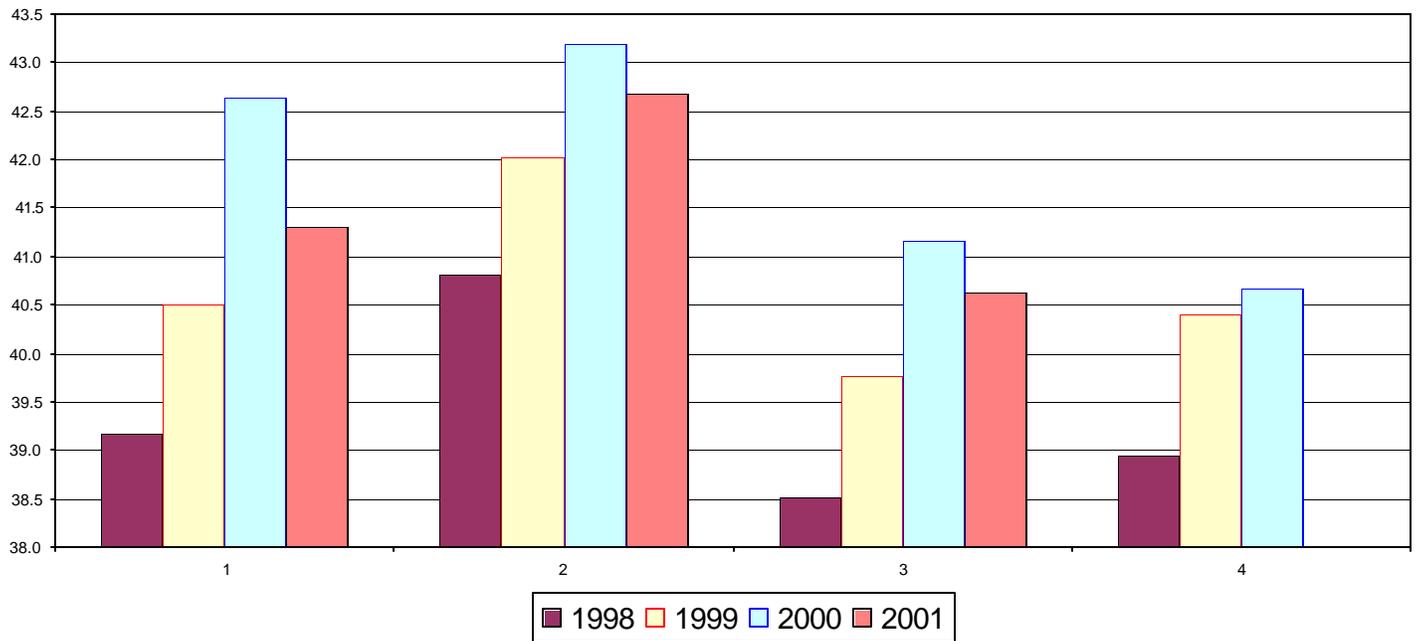
NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Basic Formula 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.

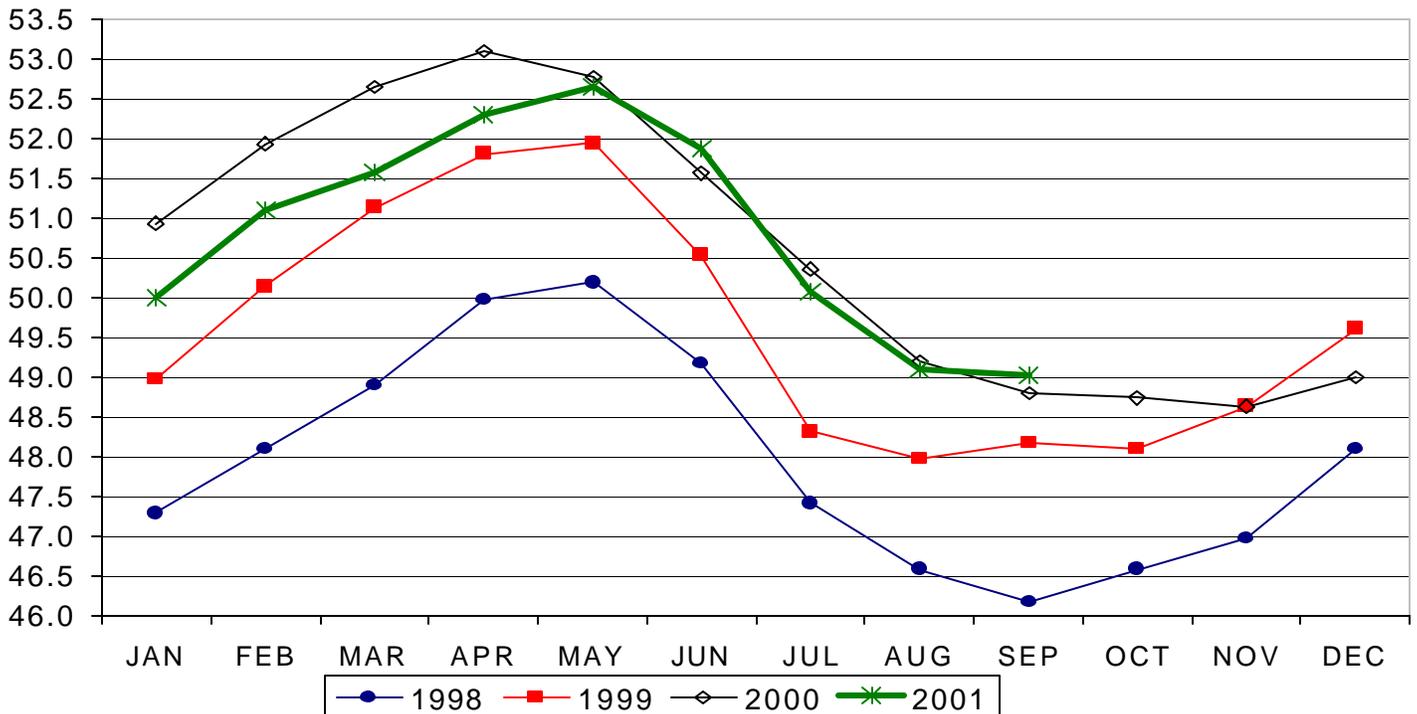
SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-379, World Agricultural Outlook Board, USDA, October 12, 2001.

QUARTERLY ESTIMATED US MILK PRODUCTION BILLION POUNDS



20 States Daily Average Milk Output Per Cow

Pounds per Day



Graph USDA, DMN; Source USDA, NASS

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, SEPTEMBER

HIGHLIGHTS. Handler reports of receipts and utilization under the Federal milk order system for September have been filed and tabulated. Combined totals for the 11 consolidated orders are being released. During September, about 9.7 billion pounds of milk were received from producers. This volume of milk is 6.3 percent higher than the September 2000 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +4.2 percent.) About 3.7 billion pounds of producer milk were used in Class I products, 3.9 percent lower than the previous year. Calendar composition likely had a negative impact on milk used in Class I in 2001 as compared to 2000. The all-market average Class utilization percentages were; Class I = 38%, Class II = 11%, Class III = 42%, and Class IV = 9%. The weighted average statistical uniform price was \$17.08 per cwt., \$0.24 higher than last month, and \$4.34 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF SEPTEMBER 2001										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	1,975.6	7.6	881.0	-2.5	45	18	30	7	17.76
Appalachian (Charlotte)	005	508.5	8.4	350.6	2.0	69	14	6	11	18.17
Southeast (Atlanta)	007	588.4	4.4	379.8	-6.3	64	10	18	8	18.09
Florida (Tampa)	006	199.9	-1.9	178.7	-4.3	89	6	1	4	19.45
Midwest (Cleveland)	033	1,322.9	5.0	542.2	-6.1	41	15	38	6	16.87
Upper Midwest (Chicago)	030 <u>3/</u>	1,786.6	4.6	334.7	-3.0	19	4	75	2	16.28
Central (Kansas City)	032 <u>3/</u>	1,407.8	5.7	397.4	-4.9	28	7	59	6	16.56
Southwest (Dallas)	126 <u>3/</u>	674.1	-1.1	333.1	-0.5	50	11	33	6	17.60
Arizona-Las Vegas (Phoenix)	131	223.2	-2.7	78.2	-1.7	35	6	38	21	16.70
Western (Salt Lake City)	135 <u>3/</u>	447.5	53.8	81.9	-4.2	18	12	46	24	16.32
Pacific Northwest (Seattle)	124	610.2	2.0	167.2	-7.5	27	7	34	32	16.34
ALL MARKET AVERAGE OR TOTAL	<u>3/</u>	9,744.7	6.3	3,725.0	-3.9	38	11	42	9	17.08

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 50 million pounds of milk that normally would have been associated with these markets. In September 2000, the estimated not-pooled volume of milk was 230 million pounds. After adjusting for these not-pooled volumes, the year-to-year percent change is +4.2.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 15 - 19, 2001			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES#	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/01	SAME PERIOD LAST YEAR	WEEK ENDING 10/12/01	SAME PERIOD LAST YEAR
BUTTER							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	79,200	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	79,200	-0-	-0-
NONFAT DRY MILK							
Nonfortified	1,764,799	-0-	1,764,799	4,591,019	24,097,507	603,357,000	-0-
Fortified	-0-	-0-	-0-	-0-	3,382,758	38,227,000	-0-
TOTAL	1,764,799	-0-	1,764,799	4,591,019	27,480,265	641,584,000	-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, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF OCTOBER 15 - 19, 2001 =	0.4	20.5	COMPARABLE WEEK IN 2000 =	2.1	113.0
CUMULATIVE SINCE OCTOBER 1, 2001 =	1.0	53.4	CUMULATIVE SAME PERIOD LAST YEAR =	6.8	320.7
CUMULATIVE JANUARY 1 - OCTOBER 19, 2001 =	74.5	3,303.2	COMPARABLE CALENDAR YEAR 2000 =	167.5	5,499.7

* Factors used for Fat Solids Basis Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22
 **Factors used for Skim Solids Basis Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF OCTOBER 15 - 19, 2001 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	1,764,799	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01	2001/02	2000/01
MIDWEST	-0-	-0-	-0-	79,200	-0-	701,291	-0-	13.1
WEST	-0-	-0-	-0-	-0-	4,591,019	26,778,974	100.0	86.9
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	79,200	4,591,019	27,480,265	100.0	100.0

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

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

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

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 09/29/01 & Comparable Week 2000

Regions* (000 HEAD)											U.S. TOTAL		% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1			
2001-Dairy	0.2	0.9	5.6	5.1	19.2	2.9	0.6	1.0	12.3	2.5	50.2	1,917.6	44.7	46.1
2000-Dairy	0.2	0.9	6.0	5.2	21.3	2.6	1.1	0.7	13.4	2.8	54.2	1,930.4	50.6	48.8
2001-All cows	0.2	0.9	7.7	14.8	29.3	16.5	16.3	4.7	15.1	6.8	112.3	4,159.3		
2000-All cows	0.2	1.0	8.2	13.2	29.9	17.6	12.9	3.9	14.5	5.8	107.1	3,958.3		

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)

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

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