



UPPER MIDWEST DAIRY NEWS

H. Paul Kyburz, Market Administrator

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Upper Midwest Marketing Area, Federal Order No. 30

November 2002

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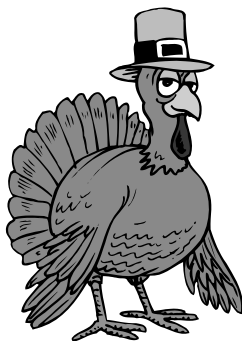
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Final Decision Issued for Class III and Class IV Price Formulas

On November 6, the U.S. Department of Agriculture announced the final decision to amend the pricing formulas for milk marketed for manufacturing use under all Federal milk marketing orders, including the Upper Midwest Order. The amended formulas use market prices of dairy products to establish minimum prices for milk used in the production of Class III products (cheese) and Class IV products (butter, dry milk products).

The final decision culminates a process that began with the 1996 Farm Bill. Historically, USDA established minimum prices for milk used in manufacturing by surveying the prices paid for manufacturing grade milk by unregulated plants in Minnesota and Wisconsin. However, by the late 1990s, declining supplies of manufacturing grade milk necessitated that a new procedure be developed to determine the value of milk used in manufacturing.

As part of a comprehensive effort to consolidate and reform Federal milk marketing orders under the 1996 Farm Bill, USDA developed pricing formulas for Class III and Class IV milk based on wholesale prices of manufactured dairy products. These pricing formulas were implemented in January 2000, as required by the 1996 Farm Bill.

Congress mandated that USDA review the pricing formulas following the reform effort. A public hearing was held May 8-12, 2000, to consider proposals to change the formulas.

Effective January 1, 2001, USDA issued revised formulas that were enjoined by a U.S. District Court at the end of January. In October 2001, following the court injunction, USDA issued a recommended decision again altering the pricing formulas.

Continued on Page 2

Pool Summary

- In October, 14,806 producers delivered to the market with an average daily delivery of 3,821 pounds.
- Producer milk totaled 1.57 billion pounds, down 7.7% on a daily basis from September.
- Class I utilization totaled 370 million pounds, up 5.4% on a daily basis from September.
- Class I usage accounted for 23.5% of producer milk.
- The October Producer Price Differential is \$0.31 per cwt.
- The Statistical Uniform Price is \$11.03 per cwt., up 57¢ from September, but \$3.72 below October 2001.
- Market statistics for October are shown on Pages 8 and 9.

October 2002 Producer Milk by Class

	Percent	Product Pounds	Price \$/cwt.
Class I	23.5	370,481,423	11.95
Class II	2.6	41,315,811	11.12
Class III	71.1	1,118,603,588	10.72
Class IV	2.8	43,287,155	10.50
Total		1,573,687,977	

Continued from Page 1

The recently issued final decision makes several minor changes in the recommended decision.

This final decision differs from the recommended decision by modifying the Class III and Class IV formulas to recognize the loss of milk during delivery from farm to plant.

As proposed in the recommended decision, the make allowance for dry whey

is increased from \$0.140 to \$0.159 per pound. All other make allowances remain unchanged.

The estimated effect of the annual average change in the Upper Midwest Order's minimum value is an increase of 13 cents per hundredweight.

The final decision was published in the November 7 *Federal Register*.

Each Federal order must be approved by producers supplying milk to the Federal order. USDA is in the process of determining approval or disapproval of each amended order.

A paper copy of the decision can be obtained by calling Harold Ferguson toll free at (888) 301-8224, Ext. 231. The document is also available on our web site at www.fmma30.com.

Tentative Final Decision for Neighboring Central Order

On November 18, the U.S. Department of Agriculture announced a tentative final decision amending the current pooling provisions of the Central Milk Marketing Order.

This decision is based on testimony and evidence given at a public hearing held November 14-15, 2001, in Kansas City, Missouri.

This decision will:

- eliminate the ability to simultaneously pool milk on the Central Order when the same milk is already pooled on a state-operated milk order that has marketwide pooling;
- adopt provisions that will establish lower but year-round supply plant performance standards;
- not consider the volume of milk shipments to distributing plants regulated by another Federal milk order as a qualifying shipment on the Central order;
- exclude from receipts diverted milk shipments made by a pool plant to another pool plant in determining pool plant diversion limits; and

- establish a "net shipments" provision for milk deliveries to distributing plants.

This decision also recommends adopting provisions to limit supply plant system formation, but not on an emergency basis.

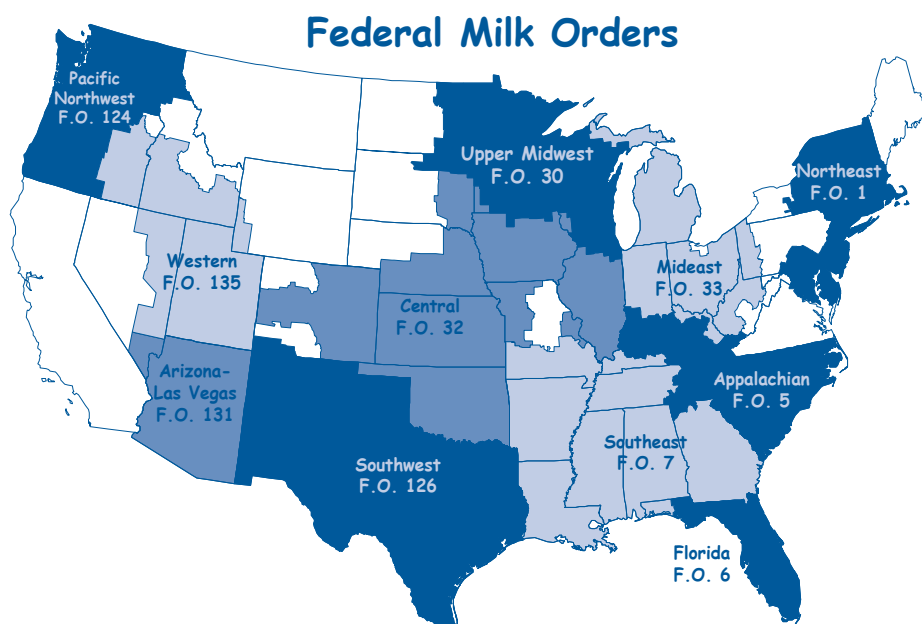
USDA will conduct a vote on the amended order to determine producer approval. Interested persons have 60

days to file comments in response to the tentative decision, which appeared in the November 19 *Federal Register*.

For additional information about the decision contact:

Donald R. Nicholson
USDA/AMS/Dairy Programs
P.O. Box 14650
Shawnee Mission, KS 66285-4650

Telephone: (913) 495-9300.



Interim Order Amending Order for Pacific Northwest

On November 18, the U.S. Department of Agriculture issued an interim order amending the current pooling provisions of the Pacific Northwest Federal Milk Marketing Order. The interim order was approved by Pacific Northwest dairy farmers.

This interim order implements pooling standards to prevent the inappropriate pooling of milk on the Pacific Northwest order. The approved amendments to the **Pool Plant** provisions:

- 1) eliminate a supply plant feature applicable to cooperative supply plants;
- 2) establish a "cooperative pool manufacturing plant" definition; and

- 3) establish system pooling for cooperative manufacturing plants.

The approved amendments to the **Producer Milk** provisions:

- 1) set a year-round diversion limit of 80% of total receipts for pool plants;
- 2) establish a "touch-base" standard specifying that at least three-days' milk production of a producer needs to be delivered to a pool plant during the month in order for the rest of the milk of the producer to be eligible for diversion to non-pool plants; and
- 3) provide authority to the Market Administrator to adjust the touch-base standard.

These interim amendments to the order will become effective January 1, 2003. Public comments on the Tentative Final Decision published September 6, 2002 were due November 5.

For additional information about the decision contact:

James R. Daugherty
Pacific Northwest
Market Administrator
USDA/AMS/Dairy Programs
1930 - 220th Street SE, Suite 102
Bothell, Washington 98021-8471

Telephone: (425) 487-6009.

USDA Announces Dairy Sector Actions *

On November 15, the U.S. Department of Agriculture announced several actions affecting both domestic and international dairy program operations.

Specifically, USDA announced program actions affecting imports of American-type cheese, the Milk Price Support Program, use of surplus nonfat dry milk (NDM) for humanitarian foreign assistance, and the Dairy Export Incentive Program (DEIP), as well as the current status of the Milk Income Loss Contract (MILC) program payments.

"The dairy sector is one of the most important to our agricultural economy and it is one of the most complex in terms of program operations," said Agriculture Secretary Ann M. Veneman. "The programs are closely interconnected and, in taking these actions together, we have tried to make adjustments that will best serve dairy farmers and the

entire dairy industry, not only in coming months but also over the longer term."

The program actions announced today are described below.

Controls Activated for Surging American-type Cheese Imports

USDA announced that it is applying the volume-based World Trade Organization (WTO) safeguard duty to above-quota imports of American-type cheese. The duty rises 16 cents per pound to its maximum permissible level through December 31, 2002.

Under the Uruguay Round Agreement on Agriculture, the United States is entitled to apply an additional duty on imports of American-type cheese when imports exceed a specified trigger. The trigger for cheese, based on a three-year moving average of past imports, allows for growth but prevents sudden unantic-

ipated market penetration. The trigger quantity has grown over four-fold in three years, from just under 9 million pounds in 1999 to over 36 million pounds this year.

Imports as of September 30 were just over 48 million pounds, well above the trigger level of 36 million pounds. The

The Commodity Credit Corporation supports the price of milk by purchasing cheese, butter and nonfat dry milk at announced prices.

additional 16 cents per pound increases the overall duty to \$0.64 per pound, or \$1.407 per kilogram. Product en route to the United States will be exempt from the additional duty.

Continued on Page 4

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Price Support Product Purchase Prices Adjusted

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) extended the Milk Price Support Program through 2007 at the support price of \$9.90 per cwt. at 3.67% milkfat.

The Commodity Credit Corporation (CCC) supports the price of milk by purchasing cheese, butter and nonfat dry milk (NDM) at announced prices. To help CCC manage accumulated invento-

To bring better balance to the markets for butter and NDM, CCC will increase the price it pays for butter and decrease its purchase price of nonfat dry milk.

ries and control costs from these purchases, the Department of Agriculture is permitted to adjust the balance between the purchase prices of butter and nonfat dry milk up to twice each calendar year.

CCC has continued to accumulate large supplies of NDM over the past two years, but has not purchased any butter. CCC purchase prices for butter and NDM currently are out of balance with each other and their respective market prices. This market misalignment has resulted in CCC accumulation of NDM stocks well above USDA's ability to use the product, large taxpayer expenditures, growing storage costs, and widening market distortions.

To bring better balance to the markets for butter and NDM, CCC will increase the price it pays for butter and decrease its purchase price of nonfat dry milk as shown in Table 1 below.

CCC purchases of NDM in fiscal year (FY) 2002 totaled 619 million pounds, up significantly from the 418 million pounds purchased in FY 2001. At the end of FY 2002, USDA held an accumulated 1.3 billion pounds of NDM in inventory. This amount is 166% of annual domestic commercial utilization. The average annual disposition of CCC

inventory over the last three years has reached only 120 million pounds. This includes donations to international food aid programs, the National School Lunch Program, and other domestic food assistance programs, including donations to institutions such as hospitals and prisons. This also includes a

USDA has designated up to 441 million pounds of NDM for humanitarian assistance

limited amount of product that has gone out of condition and sold at significant discount for animal feed manufacturing.

To help reduce this cumbersome NDM inventory and to reduce recurring storage costs, USDA recently has undertaken several initiatives. These include:

- USDA implemented a livestock feed program in August to assist livestock operators in the states most severely stricken by drought.

**Table 1
Purchase Prices for Surplus Dairy Products**

	Commodity Credit Corporation Purchase Prices		
	<u>Produced before November 15, 2002</u>	<u>Produced on or after November 15, 2002</u>	<u>Change</u>
----- Dollars Per Pound -----			
Butter, U.S. Grade A or Higher			
25-kg. blocks: Salted	0.8548	1.0500	+0.1952
Nonfat Dry Milk (spray), U.S. Extra Grade (but not more than 3.5% moisture)			
25-kg. bags: Nonfortified ^{1/}	0.9000	0.8000	-0.1000
Fortified (Vitamins A & D)	0.9100	0.8100	-0.1000
Cheddar Cheese, Standard Moisture Basis ^{2/}			
40-pound blocks, U.S. Grade A or Higher	1.1314	1.1314	n/c
500-pound barrels, U.S. Extra Grade	1.1014	1.1014	n/c

^{1/} Nonfat dry milk in bags classified as "Type X" will be accepted at a discount of 0.50 cent (1/2 cent) per pound.

^{2/} Subject to adjustment for moisture content.

The program utilized NDM as a protein source in supplemental feed made available to farmers. This program has used 75 million pounds of NDM to date and is expected to use over 100 million pounds by the time the program concludes at year-end. It utilizes the oldest stock in inventory.

- CCC has also made available NDM for the production of casein, a high protein product used in cheese, other food products and some industrial applications. Just over 1 million pounds of NDM has been used to date for this purpose. It is anticipated that as much as 50 million pounds could be used over the next 12-month period.
- USDA has also designated up to 441 million pounds of non-fortified, nonfat, low-heat dry milk available for humanitarian assistance through the program carried out under Section 416(b) of the Agriculture Act of 1949. (A *Federal Register* notice published October 31 provides more details.) Currently, USDA is accepting proposals from U.S. private voluntary organizations and the World Food Program for programs that will use the NDM in beneficial ways. These include: distribution of NDM or products made from NDM to people in need; monetization for proceeds to fund several humanitarian objectives (HIV/AIDS, health, and nutrition); and school feeding programs. The level of donations in each program will depend on a comprehensive market analysis to ensure that utilization will not affect commercial sales or production in recipient countries.

USDA also encourages the submission of other proposals that would use more of the existing NDM inventories.

Table 1 on Page 4 provides a tabular

summary of the new prices. Further terms and conditions for purchases of dairy products will be contained in subsequent announcements.

U.S. Dairy Products Moved to World Markets

USDA also announced the second allocation under the 2002/03 Dairy Export Incentive Program (DEIP). This makes available an additional 25,576 metric tons of NDM, 7,912 metric tons of butterfat and 1,137 metric tons of various cheeses. The total WTO limits for this year's DEIP are 68,201 metric tons of NDM, 21,097 metric tons of butterfat and 3,030 metric tons of various cheeses. With today's announcement, USDA has now made available a total of 42,626 metric tons of NDM, 13,186 metric tons of butterfat and 1,894 metric tons of various cheeses under this program. Individual product and country allocations will be specified in Invitations for Offers, which will be

The 2002 Farm Bill added another safety net program for dairy farmers by creating a new national dairy payment program, the Milk Income Loss Contract (MILC) program

available next week. Invitations will be posted on the Internet at <http://www.fas.usda.gov/excredits/deip.html>, or will be available by calling FAS at 202-720-3224 or 202-720-6211.

USDA is utilizing a partial allocation process this year to better manage the DEIP sales program, make more of the product available throughout the entire year, and maximize the use of the program. The announcement of this allocation will assist U.S. dairy producers to improve their competitive position and build sustainable international markets.

Since October 1, USDA has issued payments of \$612 million under this program and expects the total during FY 2003 to exceed \$2 billion.

Producer Payments Underway

The 2002 Farm Bill added another safety net program for dairy farmers by creating a new national dairy payment program, the Milk Income Loss Contract (MILC) program, that compensates producers when milk prices fall below a Congressionally specified level. Signup for the new program began in mid-August. Since October 1, USDA has issued payments of \$612 million under this program and expects the total during FY 2003 to exceed \$2 billion.

MILC payments occur in months when the price of Class I milk in Boston under the Northeast Milk Marketing Order falls below \$16.94 per cwt. The payment rate is 45 percent of the difference between \$16.94 and the Boston Class I price for that month.

In addition, the Department continues to make payments to dairy producers affected by drought under the Livestock Compensation Program (LCP). Dairy producers in counties that have received primary disaster designations due to drought in 2001 and/or 2002 are eligible for the program and will receive a fixed payment of \$31.50 per head for dairy cows they owned as of June 1, 2002. To date, USDA has paid \$100 million to dairy producers under this program.

"This series of actions will help better balance markets for U.S. dairy producers, improve the sector's competitive position in world trade, and use U.S. dairy products to meet humanitarian food assistance need," Veneman said.

** Adapted from USDA News Release 0476.02 published November 15, 2002.*

Members Named to National Dairy Board

The Secretary of Agriculture recently appointed six new members and reappointed six incumbents to the National Dairy Promotion and Research Board. All will serve three-year terms ending October 31, 2005. The list below shows the 36 members of the national board effective November 1, 2002. A map showing the 13 regions is shown on Page 7.

The National Dairy Promotion and Research Board, established by the Dairy Production Stabilization Act of 1983, administers a coordinated program of promotion, research and nutrition education. The board's activities are financed by a mandatory 15¢ per cwt. assessment on milk produced in the contiguous 48 states and marketed commercially by dairy farmers. USDA's Agriculture Marketing Service monitors the activities of the board.

REGION 1 (Oregon & Washington)

Marlin J. Rasmussen
St. Paul, Oregon
1st Term Expires 10/31/04

REGION 2 (California)

William R. Ahlem, Jr.
Hilmar, California
2nd Term Expires 10/31/04

Robert R. Bignami
Chico, California
1st Term Expires 10/31/04

Margaret A. Gambonini
Petaluma, California
1st Term Expires 10/31/04

Dennis A. Leonardi
Ferndale, California
1st Term Expires 10/31/03

Patricia M. Van Dam
Chico, California
1st Term Expires 10/31/04

John Zonneveld, Jr. **
Laton, California
2nd Term Expires 10/31/05

REGION 3 (Arizona, Colorado, Idaho, Montana, Nevada, Utah, & Wyoming)

Steve P. Frischknecht
Manti, Utah
2nd Term Expires 10/31/04

Pete R. Lizaso
Emmett, Idaho
2nd Term Expires 10/31/03

Lester E. Hardesty *
Greeley, Colorado
1st Term Expires 10/31/05

REGION 4 (Arkansas, Kansas, New Mexico, Oklahoma, & Texas)

Charles W. Bryant
Austin, Arkansas
1st Term Expires 10/31/03

Lynda Foster
Fort Scott, Kansas
2nd Term Expires 10/31/04

Neil A. Hoff **
Windthorst, Texas
2nd Term Expires 10/31/05

REGION 5 (Minnesota, North Dakota, & South Dakota)

Arlon E. Fritsche
New Ulm, Minnesota
1st Term Expires 10/31/03

Loren E. Jons
Bonesteel, South Dakota
1st Term Expires 10/31/03

Cynthia R. Langer *
Faribault, Minnesota
1st Term Expires 10/31/05

REGION 6 (Wisconsin)

Patricia M. Boettcher **
Bloomer, Wisconsin
2nd Term Expires 10/31/05

Rosalie M. Gieger
Reedsville, Wisconsin
1st Term Expires 10/31/04

William J. Herr *
Greenwood, Wisconsin
1st Term Expires 10/31/05

Allard L. Peck
Chippewa Falls, Wisconsin
1st Term Expires 10/31/03

Connie M. Seefeldt
Coleman, Wisconsin
1st Term Expires 10/31/03

REGION 7 (Illinois, Iowa, Missouri, & Nebraska)

Wayne E. Dykshorn
Ireton, Iowa
1st Term Expires 10/31/03

Pam Bolin *
Clarksville, Iowa
1st Term Expires 10/31/05

REGION 8 (Alabama, Kentucky, Louisiana, Mississippi, & Tennessee)

Michael M. Ferguson *
Coldwater, Mississippi
1st Term Expires 10/31/05

REGION 9 (Indiana, Michigan, Ohio, & West Virginia)

Merle L. Chaplin
Moundsville, West Virginia
2nd Term Expires 10/31/03

Alice S. Moore
Frazeyburg, Ohio
1st Term Expires 10/31/04

Deanna S. Stamp *
Marlette, Michigan
1st Term Expires 10/31/05

REGION 10 (Florida, Georgia, North Carolina, South Carolina, & Virginia)

Robert K. Herman
Taylorsville, North Carolina
2nd Term Expires 10/31/04

Sanford L. Jones, Jr.
Quitman, Georgia
1st Term Expires 10/31/03

REGION 11 (Delaware, Maryland, New Jersey, & Pennsylvania)

Deborah A. Benner
Mt. Joy, Pennsylvania
1st Term Expires 10/31/04

Lewis Gardner
 Galeton, Pennsylvania
 1st Term Expires 10/31/03

Rita P. Kennedy **
 Valencia, Pennsylvania
 2nd Term Expires 10/31/05

David E. Hardie
 Lansing, New York
 1st Term Expires 10/31/04

Edgar A. King
 Schuylerville, New York
 1st Term Expires 10/31/03

* Recently appointed.
 ** Recently reappointed.

REGION 12 (New York)

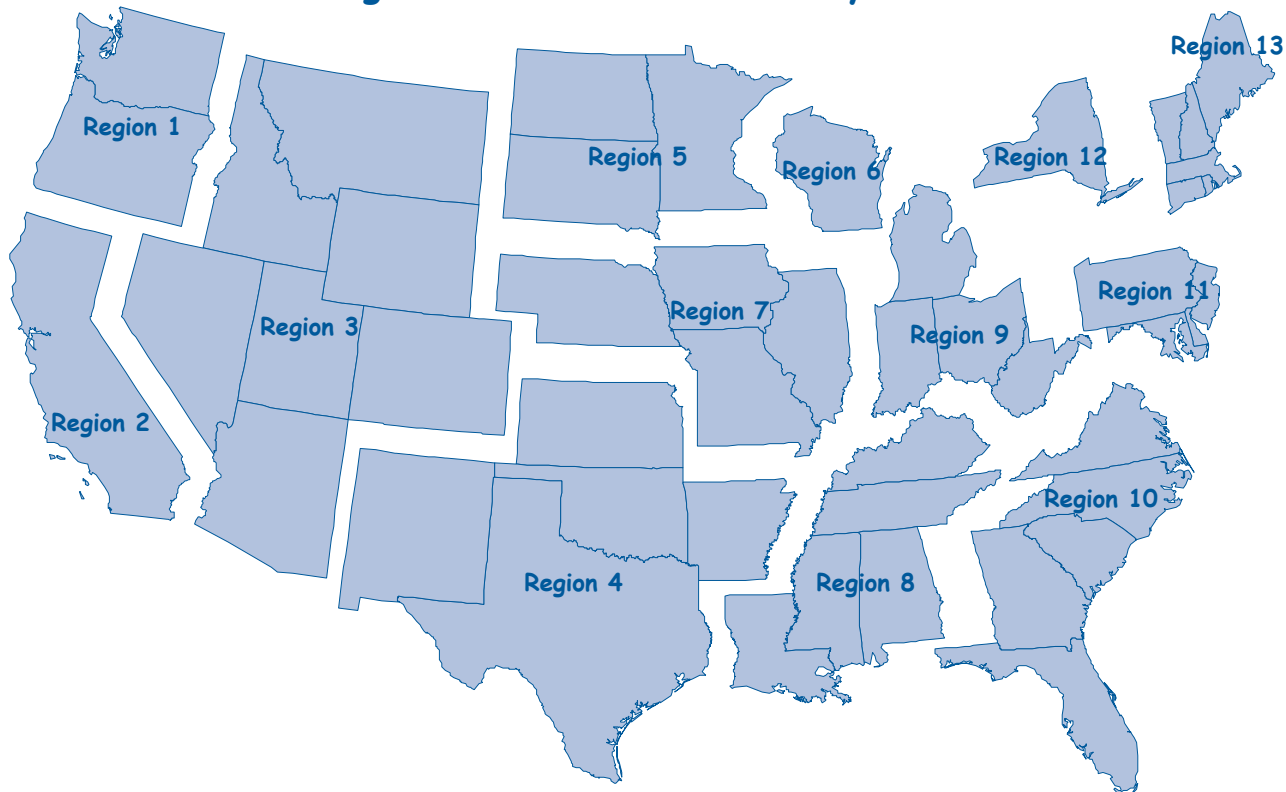
Audrey G. Donahoe **
 Frankfort, New York
 2nd Term Expires 10/31/05

REGION 13 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, & Vermont)

Claude J. Bourbeau **
 Swanton, Vermont
 2nd Term Expires 10/31/05



Regions of the National Dairy Board



Upper Midwest Pool Statistics - October 2002

Market Class I Differential Rate	Pool Plants	Received at Pool Plants	Diverted to Pool and Nonpool Plants	Total	Location Adjustment to Producers	Class I Differential to Handlers	
<i>Cwt.</i>	<i>Number</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Pounds</i>	<i>Value</i>	<i>Pounds</i>	<i>Value</i>
\$1.80	6	16,683,736	37,299,333	53,983,069	\$ 0	50,974,713	\$ 917,545
\$1.75	38	169,954,877	371,760,601	541,715,478	270,858	159,445,037	2,790,288
\$1.70	38	180,495,557	737,720,366	918,215,923	918,216	135,843,223	2,309,335
\$1.65	5	28,829,596	3,484,414	32,314,010	48,471	24,218,450	399,604
Other	0	0	27,459,497	27,459,497	50,304	0	0
Total	87	395,963,766	1,177,724,211	1,573,687,977	\$1,287,849	370,481,423	\$6,416,772

Computation of Producer Price Differential - October 2002

	Utilization Percentage	Product Pounds	Component Pounds	Rate	Value
Class I					
Differential Value					\$6,416,772.26
Product	23.5%	370,481,423			
Skim Milk			364,632,601	\$ 6.9100	25,196,112.71
Butterfat			5,848,822	0.9935	5,810,804.65
Class II					
Product	2.6%	41,315,811			
Nonfat Solids			3,074,344	0.8456	2,599,665.25
Butterfat			7,715,444	1.0796	8,329,593.34
Class III					
Product	71.1%	1,118,603,588			
Protein			34,579,952	2.1839	75,519,157.20
Other Solids			63,802,201	0.0755	4,817,066.21
Butterfat			42,430,099	1.0726	45,510,524.19
Class IV					
Product	2.8%	43,287,155			
Nonfat Solids			3,586,058	0.7765	2,784,574.05
Butterfat			4,062,190	1.0726	4,357,105.00
SCC Adjustment (Class II, III, and IV)					163,294.50
Total Producer Milk *		1,573,687,977			\$181,504,669.36
Add:					
Overage					14,119.62
Inventory Reclassified					42,195.03
Other Source Milk \$.60(h)					0.00
Other Source Milk \$.60(i)					0.00
Subtract:					
Transportation Credit					306,224.59
Assembly Credit					293,417.88
Credit for Reconstituted FMP					0.00
Producer Milk Protein					106,197,186.68
Producer Milk Other Solids					6,775,870.05
Producer Milk Butterfat					64,416,660.92
Producer Milk SCC Adjustment					264,098.18
Total Milk and Value		1,573,687,977			\$3,307,525.71
Add:					
Location Adjustment -- Producer and Unregulated Supply Plant Milk					1,287,848.65
One-Half Unobligated Balance Producer Settlement Fund					919,074.35
Total Value				0.350416	\$5,514,448.71
Subtract:					
Producer Settlement Fund Reserve				0.040416	636,015.98
Producer Price Differential **				\$0.31	\$4,878,432.73

* An estimated 180 million pounds of milk was not pooled.

** Producer Price Differential is dollars per cwt. at the Base Zone of Cook County, Illinois.



Utilization and Classification

	October 2002		September 2002	October 2001
	Product Pounds	Butterfat Pounds	Product Pounds	Product Pounds
Class I Utilization:				
Packaged Disposition				
Milk	57,355,770	1,866,274	53,460,658	57,681,933
Flavored Milk	6,784,859	204,273	5,613,677	6,213,731
Reduced Fat Milk	135,389,465	2,653,838	125,825,895	137,350,011
Lowfat Milk	47,320,507	463,615	45,200,616	47,126,241
Fat Free Milk	86,969,895	93,669	81,950,831	86,908,255
Flavored Reduced and Fat Free Milk	31,553,659	329,035	29,050,165	28,617,027
Buttermilk	2,671,058	27,585	2,404,952	2,796,595
Total Packaged Disposition	368,045,213	5,638,289	343,506,794	366,693,793
Total Ending Inventory	33,364,166	528,953	28,462,137	29,393,252
Bulk to Nonpool Plants	1,139,168	10,131	976,728	995,284
Shrinkage	2,961,342	194,983	2,150,633	3,742,736
Total Class I Utilization	405,509,889	6,372,356	375,096,292	400,825,065
Other Order Plants	(6,061,091)	(81,458)	(6,178,379)	(14,885,304)
Beginning Inventory	(28,462,137)	(439,323)	(28,297,022)	(30,312,334)
Reused Products	0	0	0	0
Other Source Milk	(453,447)	(5,416)	(380,202)	(49,230)
Overage	0	0	--	--
Interhandler Adjustment	(51,791)	2,663	(197,446)	(84,141)
Class I Producer Milk	370,481,423	5,848,822	340,043,243	355,494,056
Class II Utilization:				
Total Class II Utilization	55,369,917	8,033,064	58,365,834	106,872,909
Other Order Plants	--	--	(1,011,574)	(4,743,516)
Beginning Inventory	(1,891,289)	(125,322)	(1,769,908)	(2,959,407)
Reused Products	(11,976,400)	(5,881)	(9,916,900)	(9,822,591)
Other Source Milk	(186,417)	(186,417)	(280,358)	(844,054)
Overage	0	0	--	(31,769)
Class II Producer Milk	41,315,811	7,715,444	45,387,094	88,471,572
Class III Utilization:				
Total Class III Utilization	1,161,985,912	43,739,163	1,292,942,017	1,329,811,613
Other Order Plants	(33,968,406)	(1,091,438)	(38,150,400)	(16,187,352)
Beginning Inventory	(5,104,445)	(111,181)	(4,086,892)	(5,665,991)
Reused Products	0	0	0	0
Other Source Milk	(4,238,955)	(102,062)	(3,273,118)	(5,077,614)
Overage	(70,518)	(4,383)	(37,416)	(665,530)
Class III Producer Milk	1,118,603,588	42,430,099	1,247,394,191	1,302,215,126
Class IV Utilization:				
Total Class IV Utilization	77,051,893	6,275,524	42,878,224	71,067,984
Other Order Plants	(9,881,873)	(739,062)	(7,049,721)	(8,074,790)
Beginning Inventory	(16,780,141)	(855,892)	(9,609,364)	(18,789,908)
Reused Products	0	0	0	0
Other Source Milk	(7,097,202)	(614,134)	(8,297,617)	(6,757,556)
Overage	(5,522)	(4,246)	(79,748)	(116,470)
Class IV Producer Milk	43,287,155	4,062,190	17,841,774	37,329,260
Total Producer Milk -- All Classes	1,573,687,977	60,056,555	1,650,666,302	1,783,510,014

-- Restricted Information

Commodity Prices

Month/Year	Weighted Monthly Average NASS Prices *						Weighted Two-Week Average NASS Prices *					
	Cheddar Cheese			Nonfat			Cheddar Cheese			Nonfat		
	Blocks	Barrels	Average	Butter	Dry Milk	Dry Whey	Blocks	Barrels	Average	Butter	Dry Milk	Dry Whey
	<i>Dollars per Pound</i>						<i>Dollars per Pound</i>					
Oct 2001	1.5744	1.5178	1.5591	1.4701	0.9441	0.2835	1.6842	1.6433	1.6777	1.6366	0.9468	0.2841
Nov	1.2354	1.1995	1.2322	1.3040	0.9349	0.2823	1.2207	1.1862	1.2182	1.3051	0.9342	0.2851
Dec	1.2733	1.2485	1.2762	1.2894	0.9199	0.2868	1.2897	1.2594	1.2895	1.2580	0.9222	0.2902
Jan 2002	1.2660	1.2790	1.2922	1.3324	0.9161	0.2747	1.2486	1.2624	1.2740	1.3335	0.9166	0.2810
Feb	1.2904	1.2590	1.2895	1.2480	0.9121	0.2334	1.2935	1.2518	1.2862	1.2316	0.9133	0.2347
Mar	1.2000	1.1834	1.2087	1.2333	0.9060	0.2066	1.1943	1.1751	1.2008	1.2411	0.9074	0.2077
Apr	1.2210	1.2085	1.2323	1.1720	0.8975	0.1948	1.2123	1.1986	1.2229	1.2088	0.8984	0.1979
May	1.2213	1.2133	1.2359	1.0525	0.8972	0.1759	1.2337	1.2315	1.2521	1.0643	0.8953	0.1827
Jun	1.1655	1.1438	1.1708	1.0343	0.9005	0.1639	1.1738	1.1524	1.1792	1.0533	0.9006	0.1663
Jul	1.0898	1.0768	1.1004	1.0112	0.9033	0.1545	1.1013	1.0847	1.1098	1.0188	0.9025	0.1552
Aug	1.1030	1.0996	1.1189	0.9925	0.9074	0.1571	1.1155	1.0993	1.1237	1.0010	0.9091	0.1559
Sep	1.1412	1.1155	1.1438	0.9431	0.9096	0.1755	1.1367	1.1159	1.1427	0.9297	0.9080	0.1703
Oct	1.2431	1.1391	1.2020	0.9945	0.9165	0.2131	1.2239	1.1366	1.1921	0.9697	0.9159	0.2081

Month/Year	Chicago Mercantile Exchange						
	Butter	Cheddar Cheese		Nonfat Dry Milk (Low/Medium Heat)		Whey Powder	
	Grade AA	Blocks	Barrels	Central & East **	West	Central	West
	<i>Dollars per Pound</i>						
Oct 2001	1.4070	1.3346	1.3036	n/a	0.9638	0.2899	0.2784
Nov	1.3481	1.2668	1.2105	n/a	0.9602	0.2979	0.2789
Dec	1.2793	1.2567	1.2500	n/a	0.9591	0.3016	0.2656
Jan 2002	1.3454	1.3242	1.2970	0.9396	0.9511	0.2689	0.2427
Feb	1.2427	1.2076	1.1797	0.9357	0.9434	0.2135	0.2257
Mar	1.2473	1.2130	1.1809	0.9218	0.9279	0.1963	0.2133
Apr	1.1712	1.2448	1.2177	0.9061	0.9134	0.1846	0.1948
May	1.0590	1.2009	1.1688	0.9174	0.9149	0.1691	0.1715
Jun	1.0427	1.1299	1.1051	0.9213	0.9138	0.1553	0.1591
Jul	1.0302	1.0889	1.0680	0.9275	0.9144	0.1566	0.1451
Aug	0.9752	1.1575	1.1252	0.9323	0.9210	0.1673	0.1546
Sep	0.9635	1.2041	1.1100	0.9468	0.9239	0.2051	0.1722
Oct	1.0315	1.1950	1.0970	0.9563	0.9263	0.2426	0.2043

Market Statistics

Month/Year	Distributing Plants	Supply Plants	Coop .9(c) Handlers	Producers	Total	Estimated	Class I Utilization	Butterfat Test	Protein Test	Other Solids Test	Weighted Average SCC
					Producer	Average Daily					
					Milk	Delivery					
					<i>Mil. lbs.</i>	<i>Pounds</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>(000)</i>
Oct 2001	28	62	9	15,035	1,784	3,994	19.9	3.79	3.11	5.69	331
Nov	27	59	10	15,418	1,766	3,869	19.7	3.82	3.10	5.69	316
Dec	26	59	10	14,670	1,834	4,088	18.6	3.82	3.08	5.69	330
Jan 2002	26	60	10	14,926	1,945	4,259	18.7	3.80	3.05	5.70	327
Feb	26	58	10	14,494	1,617	4,235	19.7	3.78	3.03	5.70	330
Mar	26	58	10	14,172	1,828	4,263	18.9	3.78	3.04	5.71	334
Apr	27	58	10	13,803	1,779	4,389	19.3	3.74	3.01	5.73	334
May	27	58	11	13,490	1,621	3,986	21.9	3.71	2.98	5.72	324
Jun	27	56	11	13,563	1,546	3,908	19.1	3.64	2.95	5.74	340
Jul	27	56	12	13,407	1,513	3,742	21.2	3.55	2.89	5.70	390
Aug	27	60	12	14,642	1,730	3,927	19.9	3.58	2.95	5.70	393
Sep	27	60	12	14,614	1,651	3,885	20.6	3.65	3.01	5.69	355
Oct	27	60	12	14,806	1,574	3,821	23.5	3.82	3.09	5.70	322

* NASS = National Agricultural Statistics Service, USDA.

** The Central and East markets are published as one price, effective January 2002.

Class Prices

Month/Year	Class I Price Mover			Class I Price at Cook County, IL			Class II Price			
	Butterfat	Skim Milk	3.50%	Butterfat	Skim Milk	3.50%	Butterfat	Nonfat Solids	Skim Milk	3.50%
	<i>lb.</i>	<i>cwt.</i>	<i>cwt.</i>	<i>lb.</i>	<i>cwt.</i>	<i>cwt.</i>	<i>lb.</i>	<i>lb.</i>	<i>cwt.</i>	<i>cwt.</i>
Oct 2001	2.5160	7.38	15.93	2.5340	9.18	17.73	1.6596	0.8889	8.00	13.53
Nov	1.8556	9.60	15.76	1.8736	11.40	17.56	1.4570	0.8844	7.96	12.78
Dec	1.4513	7.15	11.98	1.4693	8.95	13.78	1.4392	0.8722	7.85	12.61
Jan 2002	1.3939	7.34	11.96	1.4119	9.14	13.76	1.4916	0.8600	7.74	12.69
Feb	1.4860	6.99	11.95	1.5040	8.79	13.75	1.3887	0.8544	7.69	12.28
Mar	1.3617	7.10	11.62	1.3797	8.90	13.42	1.3708	0.8511	7.66	12.19
Apr	1.3733	6.91	11.47	1.3913	8.71	13.27	1.2960	0.8456	7.61	11.88
May	1.3339	6.83	11.26	1.3519	8.63	13.06	1.1503	0.8367	7.53	11.29
Jun	1.1577	7.23	11.03	1.1757	9.03	12.83	1.1281	0.8333	7.50	11.19
Jul	1.1443	6.85	10.62	1.1623	8.65	12.42	1.0999	0.8389	7.55	11.14
Aug	1.1022	6.86	10.48	1.1202	8.66	12.28	1.0771	0.8400	7.56	11.07
Sep	1.0805	6.92	10.46	1.0985	8.72	12.26	1.0169	0.8467	7.62	10.91
Oct	0.9935	6.91	10.15	1.0115	8.71	11.95	1.0796	0.8456	7.61	11.12
Nov	1.0423	7.20	10.60	1.0603	9.00	12.40		0.8533	7.68	

Month/Year	Class III Price					Class IV Price			
	Butterfat	Protein	Other Solids	Skim Milk	3.50%	Butterfat	Nonfat Solids	Skim Milk	3.50%
	<i>lb.</i>	<i>lb.</i>	<i>lb.</i>	<i>cwt.</i>	<i>cwt.</i>	<i>lb.</i>	<i>lb.</i>	<i>cwt.</i>	<i>cwt.</i>
Oct 2001	1.6526	2.6664	0.1482	9.14	14.60	1.6526	0.8041	7.24	12.77
Nov	1.4500	1.8045	0.1470	6.46	11.31	1.4500	0.7949	7.15	11.97
Dec	1.4322	1.9782	0.1517	7.03	11.80	1.4322	0.7799	7.02	11.79
Jan 2002	1.4846	1.9660	0.1392	6.92	11.87	1.4846	0.7761	6.98	11.93
Feb	1.3817	2.0884	0.0965	7.04	11.63	1.3817	0.7721	6.95	11.54
Mar	1.3638	1.8342	0.0688	6.09	10.65	1.3638	0.7660	6.89	11.42
Apr	1.2890	2.0109	0.0566	6.57	10.85	1.2890	0.7575	6.82	11.09
May	1.1433	2.2097	0.0371	7.07	10.82	1.1433	0.7572	6.81	10.57
Jun	1.1211	2.0148	0.0247	6.39	10.09	1.1211	0.7605	6.84	10.52
Jul	1.0929	1.8095	0.0150	5.70	9.33	1.0929	0.7633	6.87	10.45
Aug	1.0701	1.9021	0.0177	6.00	9.54	1.0701	0.7674	6.91	10.41
Sep	1.0099	2.0646	0.0367	6.62	9.92	1.0099	0.7696	6.93	10.22
Oct	1.0726	2.1839	0.0755	7.22	10.72	1.0726	0.7765	6.99	10.50

Producer Prices

Month/Year	Producer Price	Statistical Uniform Price	Butterfat Price	Protein Price	Other Solids Price	SCC Adjustment Rate	Producer Mailbox Price
	Differential	(at 3.50%)					(at test)
	<i>\$ per cwt.</i>	<i>\$ per cwt.</i>					<i>\$ per cwt.</i>
Aug 2001	0.51	16.06	2.2976	2.2188	0.1535	0.00083	15.84
Sep	0.38	16.28	2.4449	2.1647	0.1520	0.00085	16.50
Oct	0.15	14.75	1.6526	2.6664	0.1482	0.00078	15.18
Nov	1.14	12.45	1.4500	1.8045	0.1470	0.00062	13.44
Dec	0.39	12.19	1.4322	1.9782	0.1517	0.00064	13.17
Jan 2002	0.43	12.30	1.4846	1.9660	0.1392	0.00065	13.30
Feb	0.41	12.04	1.3817	2.0884	0.0965	0.00064	12.73
Mar	0.60	11.25	1.3638	1.8342	0.0688	0.00060	12.19
Apr	0.50	11.35	1.2890	2.0109	0.0566	0.00062	12.17
May	0.48	11.30	1.1433	2.2097	0.0371	0.00062	11.98
Jun	0.63	10.72	1.1211	2.0148	0.0247	0.00059	11.16
Jul	0.80	10.13	1.0929	1.8095	0.0150	0.00055	10.61
Aug	0.66	10.20	1.0701	1.9021	0.0177	0.00056	10.91
Sep	0.54	10.46	1.0099	2.0646	0.0367	0.00057	
Oct	0.31	11.03	1.0726	2.1839	0.0755	0.00060	

Summary of Federal Order Data - October 2002

Uniform or Statistical Uniform
Price at 3.5% Butterfat

Federal Order Number / Name	Producer Deliveries	Class I Producer Receipts	Class I Utilization	Class I Price	Producer Price Differential	Uniform or Statistical Uniform Price at 3.5% Butterfat		
						FOB Market	FOB Cook Cty. Illinois	Change From Previous Year
		<i>— Thousand Pounds —</i>	<i>Percent</i>	<i>— Dollars per Cwt. —</i>		<i>— Dollars per Cwt. —</i>		
1 Northeast	1,973,575	957,171	48.5	\$ 13.40	\$ 1.68	\$ 12.40	\$ 10.95	(\$3.64)
5 Appalachian	515,076	390,698	75.9	13.25	n/a	12.91	11.61	(3.82)
6 Florida	201,872	185,190	91.7	14.15	n/a	14.03	11.83	(4.27)
7 Southeast	604,050	420,941	69.7	13.25	n/a	12.81	11.51	(3.89)
30 Upper Midwest	1,573,688	370,481	23.5	11.95	0.31	11.03	11.03	(3.72)
32 Central	1,623,135	434,184	26.7	12.15	0.46	11.18	10.98	(3.74)
33 Mideast	1,469,727	590,240	40.1	12.15	0.60	11.32	11.12	(3.71)
124 Pacific Northwest	658,189	188,771	28.7	12.05	0.22	10.94	10.84	(3.44)
126 Southwest	793,028	361,968	45.6	13.15	1.35	12.07	10.87	(3.98)
131 Arizona-Las Vegas	240,306	85,862	35.7	12.50	n/a	11.38	10.83	(3.63)
135 Western	470,153	94,471	20.1	12.05	0.29	11.01	10.91	(3.34)
All Market Average or Total *	10,122,798	4,079,977	40.3					

n/a = Not applicable. * May not add due to rounding.

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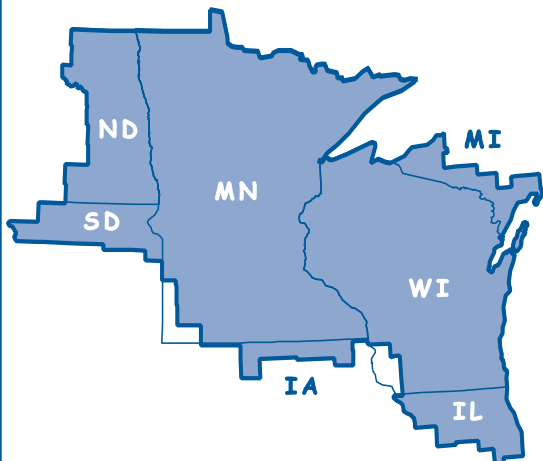
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