

**NATIONAL DAIRY MARKET AT A GLANCE**

At the Chicago Mercantile Exchange (CME), Grade AA butter decreased 5 cents to \$1.3500, Grade A decreased 4 cents to \$1.2600, and Grade B decreased 4 cents to \$1.2600. Also at the CME, barrel cheese decreased 4 1/4 cents to \$1.3850 and 40# blocks decreased 8 cents to \$1.3500.

On February 26, Secretary of Agriculture Dan Glickman extended the comment period for USDA's proposed rule consolidating and reforming federal milk marketing orders until April 30. Glickman also announced that USDA will hold four (4) public listening sessions to provide an opportunity for dairy producers, processors, and other interested parties to discuss the proposed rule. The four listening sessions announced will allow USDA to present an overview of the proposed rule and obtain public comments. Meetings will be held on Monday, March 30 in Syracuse, NY; Atlanta, GA; and Dallas, TX and on Tuesday, March 31 in Green Bay, WI. (See page 2 for additional information.)

According to NASS, U.S. cold storage holdings of butter on January 31, 1998 total 35.0 million pounds, 50.9% higher than last January and 68.1% above December 1997. Natural American cheese holdings total 416.7 million pounds, 8.6% above January 1997 and 1.5% heavier than last month. Nonfat dry milk holding for December total 125.0 million pounds, 76.0% heavier than last December 1997 and 6.8% more than November. Of the NDM holdings, 82.5% of the stocks were held commercially with 17.5% held by the government.

According to Economic Research Service's *Livestock, Dairy, and Poultry Monthly*, nothing very dramatic is expected to happen to either the supply or demand for milk and dairy products in 1998, following a year more notable for what did not happen than for what did. In 1998, milk production is expected to be near the 1997 level, while dairy demand grows moderately. With no clear sense of market direction, dairy prices may well stay volatile but are projected to average only slightly higher than in 1997. For all of 1998, farm milk prices

are projected to average only slightly above 1997's \$13.38 per cwt.

Mild temperatures in most areas of the country are contributing to early increases in seasonal milk production. In the Southeast, milk volumes are increasing to the point that route haulers are adding trucks. In California, rain continues to plague much of the state. Many areas are noting record February and seasonal precipitation totals that are eclipsing records that have stood for more than 100 years. As of yet, no major negative impact on overall production has been noted, but many contacts expect milk quality and tests to be affected by the weather. In many areas of the country, Class I sales are slow, thus more milk is being diverted toward manufacturing.

Dry dairy product markets continue to follow developing trends of the past few weeks. Nonfat dry milk powder markets are weak as some producers offer powder below the support price. In most instances, stocks exceed demand. Powder continues to be offered to CCC from Western producers only. Buttermilk powder markets are mixed with prices higher and lower. Production of powder varies depending on dryer availability, consequently, more condensed/liquid buttermilk is being offered for sale. Whey markets are also mixed. Some contacts report more trading activity while others believe sales are a little slower.

During the week of February 23 - 27, CCC had net purchases of 2,435,556 lbs. of Western NDM under the price support program.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**BUTTER MARKETS**

**CHICAGO WHOLESALE**

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

GRADE	FEBRUARY 24	FEBRUARY 26	FEBRUARY 27
AA	\$1.4000 - 1.4100	\$1.4000 - 1.4100	\$1.4000 - 1.4100
A	\$1.3000 - 1.3100	\$1.3000 - 1.3100	\$1.3000 - 1.3100

( ) Change from previous price.

**BUTTER HIGHLIGHTS:** In cash trading at the Chicago Mercantile Exchange, all grades of bulk butter are lower. Churning schedules remain quite active across the country. Additional cream volumes are available in most areas, although butter producers are cautious about taking on too much cream at higher than desired asking prices. Overall buying interest continues to center around short term needs with buyers more hesitant to inventory butter at current prices.

**CHEESE MARKETS**

**WISCONSIN ASSEMBLY POINTS**

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

CHEDDAR STYLES	FEBRUARY 23 - 27, 1998
BARRELS*	\$1.4275 - 1.4525 (NOMINAL) (.0050) (.0050)
40# BLOCKS	\$1.4300 - 1.4625 (NOMINAL) (.0025)

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

**CHEESE HIGHLIGHTS:** The cheese market is weak. At the CME, 40# blocks declined 8 cents to \$1.3500 and barrels decreased 4.25 cents to \$1.3850 in light trading. This is the first inverted spread (barrels priced higher than blocks) since December 1994 at the National Cheese Exchange. Orders have been for short term needs as many buyers expected weakness. Barrels are about in balance. Block offerings are fully adequate to ample. For CCC market price cheese purchases for April delivery, see page 11 of this report.

**CHICAGO MERCANTILE EXCHANGE**

**BUTTER TRANSACTIONS ON FRIDAY, FEBRUARY 27, 1998**

(CARLOT UNIT = 40,000 - 42,000 LBS.)

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	-.0500	\$1.3500 : SALE 02/27/98
A	-.0400	\$1.2600 : OFFER 02/27/98
B	-.0400	\$1.2600 : OFFER 02/27/98

SALES: 24 CARS GRADE AA: 1 @ \$1.3425, 4 @ \$1.3500,  
 1 @ \$1.3525, 2 @ \$1.3600, 5 @ \$1.3475, 1 @ \$1.3600, 1 @ \$1.3550,  
 1 @ \$1.3775, 5 @ \$1.3550, 1 @ \$1.3800, 1 @ \$1.3525, 1 @ \$1.3500 (LST)  
 4 CARS GRADE A:  
 1 @ \$1.3000, 1 @ \$1.2550, 1 @ \$1.2800, 1 @ \$1.2900

BIDS UNFILLED: 1 CAR GRADE AA @ \$1.2500  
 2 CARS GRADE A: 1 @ \$1.2550, 1 @ \$1.2000

OFFERS UNCOVERED: 5 CARS GRADE AA:  
 2 @ \$1.4000, 2 @ \$1.3975, 1 @ \$1.3925  
 1 CAR GRADE A @ \$1.2600 (LST)  
 1 CAR GRADE B @ \$1.2600 (LST)

**CHEESE TRANSACTIONS ON THURSDAY, FEBRUARY 26, 1998**

(CARLOAD UNIT = 40,000-44,000 LBS.)

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	-.0425	\$1.3850 : SALE 02/26/98
40# BLOCKS	-.0800	\$1.3500 : SALE 02/26/98

SALES: 1 CAR BARREL @ \$1.3850 (LST)

9 CARS 40# BLOCKS @ \$1.3500 (LST)

BIDS UNFILLED: NONE

OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4175

3 CARS 40# BLOCKS @ \$1.4275

**SECRETARY GLICKMAN EXTENDS COMMENT PERIOD, ANNOUNCES LISTENING SESSIONS ON FEDERAL MILK ORDER REFORM RULE**

WASHINGTON, Feb. 26, 1998 - Agriculture Secretary Dan Glickman today extended the comment period for USDA's proposed rule consolidating and reforming federal milk marketing orders until April 30. Glickman also announced that USDA will hold four public listening sessions to provide an opportunity for dairy producers, processors and other interested parties to discuss the proposed rule.

"USDA takes the public's role in rulemaking very seriously," said Glickman. "When I announced the federal milk marketing order proposed rule in January, I indicated that it as a starting point for public debate. We have received several requests to extend the comment period to allow for the development of input on the proposed rule," he said. "The four listening sessions will provide another method for the public to submit comments to USDA."

The proposed federal milk marketing order rule was published in the Jan. 30, 1998, Federal Register. It addresses consolidation of the current 31 orders into 11; replacement of the basic formula price (currently based in part on the Minnesota-Wisconsin price for grade B milk), with a price that reflects the value of milk components such as protein and butterfat in manufactured dairy products; two options for replacing the way that minimum fluid milk prices are determined, including one option that closely reflects the current program and a preferred market-oriented option for fluid milk prices that could be accompanied by transition assistance for dairy farmers; and other proposed suggestions for streamlining language and provisions in the current order system. The comment period was to have closed March 31.

The four listening sessions announced today will allow USDA to present an overview of the proposed rule and obtain public comments. All meetings will be held from 9 a.m. to 5 p.m. They are scheduled as follows:

Monday, March 30

Four Points Hotel Syracuse, 441 Electronics Parkway, Liverpool, New York.  
Contact: Jane Hart, (518)452-4410

Hyatt Regency DFW, West Tower, Inside Dallas/Fort Worth Airport, P.O. Box 619014, DFW Airport, Texas  
Contact: Cary Hunter or Cindy Taylor, (972) 245-6060

Crowne Plaza Atlanta Airport, 1325 Virginia Avenue, Atlanta, Georgia  
Contact: Sue L. Mosley, (770)448-1194

Tuesday, March 31:

Radisson Inn, 2040 Airport Drive, Green Bay, Wisconsin  
Contact: Rachel Benocke, (630) 810-9999 ext. 146

Those wishing to present oral comments at the listening sessions should call the designated contact person for each location.

The notice announcing the extension of the comment period until April 30 and the listening sessions will be published in a future Federal Register.

Written comments on the proposed rule should be submitted to Richard M. McKee, Deputy Administrator, Dairy Programs, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456. Comments also may be sent by fax to (202) 690-3410. Additionally, comments may be submitted via E-mail to: Milk\_Order\_Reform\_@usda.gov.

**PRINT BUTTER MARKETS - GRADE AA**

**NORTHEAST**

Prices are unchanged, but the market tone is, at best, cautiously steady. Trading at last Friday's (2/20) CME saw many cars offered and sold under the closing price of \$1.4000. This leads many in the market to believe that there is a weaker undertone developing. Therefore, buyers are taking a wait and see posture. Producers are making more butter, but those who buy outside cream are paying less for it. Producer stocks are increasing. Although some butter makers continue to report good demand, some do concede that spot interest has ebbed. Retail interest is slow to fair, but sales often improve during Lent. Food service orders are steady.

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

1/4 LB. PRINTS	:	1.6100-1.8575
1 LB. PRINTS	:	1.5250-1.7075
CHIPS/PATTIES	:	1.5875-1.7950
REDDIES	:	1.6625-1.8575
CONTINENTALS	:	1.7425-1.9175

**CENTRAL**

Print butter prices are generally unchanged, although the market tone remains unsettled. In most instances, butter handlers feel that the market tone is weak, thus many producers are cautious and procuring limited volumes of additional cream above current needs. Higher than desired cream multiples are also another factor butter producers are sighting for lighter production schedules. Stocks of butter are reported to be sufficient for current demand. Additional butter stocks that are not clearing the market are being held for future use. Buying interest is holding steady at fairly good levels.

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

1/4 LB. PRINTS	:	1.5000-1.9075
1 LB. PRINTS	:	1.4650-1.6275
CHIPS/PATTIES	:	1.4900-1.7000
REDDIES	:	1.5750-1.8100
CONTINENTALS	:	1.7300-1.9200

**WEST**

Western print butter prices held steady this week. Demand for bulk butter from other regions of the country has slowed down. Local print orders are viewed as good by most Western churning operations. Cream demand is only fair due to relatively high prices. Butter production is steady at best. Cold storage stocks of butter total 35.0 million pounds at the end of January. This figure is up 50.9% from last year and up 68.1% from a month earlier.

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

1/4 LB. PRINTS	:	1.6825-1.7500
1 LB. PRINTS	:	1.6125-1.6775
PATTIES	:	1.6550-1.8200
REDDIES	:	1.7800-1.7975

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

1/4 LB. PRINTS	:	1.3975-1.4475
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	:	CHEESE
		:	
02/23/98	9,537	:	104,193
02/01/98	8,834	:	98,933
CHANGE	+ 703	:	+5,260
% CHANGE	+ 8	:	+ 5

**NASS CHEDDAR CHEESE PRICE SURVEY**

WEEK ENDING	40# BLOCKS			640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.	MN/WI	OTH STATES	U.S.	
FEBRUARY 20	1,4460	1,3999	1,4113	1,4334	1,4237	1,3982	1,4092	
	1,131,797	4,328,610	5,581,146	1,580,978	3,410,375	4,447,987	7,858,362	

Further data may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

**CHEESE MARKETS**

**NORTHEAST**

Process prices are fractionally higher with the balance unchanged. The market tone is steady, but unsettled. At the CME, there seems to be firmness on barrels, but 40# blocks are steady to weaker. Orders for cheese are steady to a little improved as usage/consumption during Lent usually picks up. However, distributors are still limiting purchases to projected weekly needs. They do not want to be caught with much inventory should prices start to fall. Production levels are steady to heavier as more surplus milk is available in the Northeast. Retail and food service orders are mostly steady.

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

Cheddar 10# Prints	:	1.4525-1.9125
Cheddar Single Daisies	:	1.4225-1.9175
Cheddar 40# Block	:	1.5675-1.7275
Process 5# Loaf	:	1.6375-1.7650
Process 5# Sliced	:	1.6575-1.8225
Muenster	:	1.6100-2.0100
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

**MIDWEST**

The cheese market is unsettled, steady on barrels, but showing signs of increased weakness on natural. At the Chicago Mercantile Exchange on February 19, the price of blocks was unchanged at \$1.4300 and barrels increased .5 cent to \$1.4275. Barrels are relatively snug, though with the return of a large producer, supplies are somewhat more available. Process sales are relatively steady, aided by recent food service promotional activity. While some natural producers have had Lenten sales, volumes are usually limited. Buyers are keeping inventories limited to current needs. More natural American producers have product available. Swiss sales are often slower as competition is fiercer for sales with Grade A cut prices near or over \$2.00 per pound. In some areas, spot milk offerings are increasing. Plant operators are becoming more reluctant to purchase outside milk. Milk receipts are steady to generally higher, depending on patron numbers.

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

Process American 5# Loaf	:	1.4975-1.7600
Brick And/Or Muenster 5#	:	1.7100-1.8875
Cheddar 40# Block	:	1.6800-1.9150
Monterey Jack 10#	:	1.8800-1.9150
Blue 5#	:	2.0325-2.2500
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7900-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.4850

**WEST**

Western cheese prices range from steady to fractionally higher on some process cheese. The wet weather in the West is beginning to have more of an impact on the milk supply and, therefore, cheese production. The quality of the incoming milk receipts is also beginning to deteriorate somewhat. Contacts are concerned that this trend may accelerate. Barrel cheese and processing solids continue to clear very easily. Current blocks are in fairly good balance, but the buying interest is not quite as aggressive. Natural American cheese cold storage stocks at the end of January total 416.7 million pounds, up 8.6% from last year and up 1.5% from last month. Swiss stocks, at 14.4 million pounds, are up 5.0% from January 1997.

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

Process 5# Loaf	:	1.5450-1.8400
Cheddar 40# Block	:	1.6125-1.7300
Cheddar 10# Cuts	:	1.7500-1.9525
Monterey Jack 10#	:	1.7150-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.3375-2.5600

**FOREIGNTYPE**

Prices and the market tone are unchanged. Orders for most types of cheese are steady to occasionally improved. Some traditional Lenten types are seeing improved interest. Stocks of most types of cheese range from adequate to light for current needs.

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

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.7650-2.3750
Gorgonzola	: 3.2400-5.9400	: 2.4300-2.4950
Parmesan (Italy)	: TFEWR	: 3.1750-3.2125
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.4375-1.9450
Romano (Cows Milk)	: -0-	: 2.9625-3.2150
Sardo Romano (Argentina)	: 2.6500-3.2900	: -0-
Reggianito (Argentina)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.

FLUID MILK AND CREAM

E A S T

Milk production is increasing in more areas and fluid milk supplies are often excessive of overall needs. In the Northeast, milk output is slowly increasing along seasonal patterns. In the Southeast, nearly ideal weather is giving milk production a boost and route haulers have had to put on more trucks. In Florida, the milk flow is increasing at a slower pace than last year. Bottled milk sales are seldom better than fair. In the urban areas, sales are and have been slow for several weeks. Class I sales in Florida and other winter tourist areas are quite a bit slower than expected. Some contacts theorize that the mild winter up north has kept tourists home this year. Manufacturing schedules are heavy and some surplus milk continues to move/clear to processors at prices below Class. In the Southeast manufacturing was heavy over the weekend and continued at moderate to heavy levels throughout the week. This week, Florida handlers had to ship 35+ loads out of state to manufacturing plants. Northeastern manufacturing plants were often full and a few plant/mechanical problems occasionally added to the volumes of milk looking for an outlet. The condensed skim market is still weak. Offerings are heavy and demand is seldom better than slow. Consequently, drying activity is up at most butter/powder plants. The fluid cream market is about steady. Contacts report steady prices and fair demand. Cream buyers are taking what they have contracted and few spot loads are moving. Highest prices are generally early in the week when offerings are in better balance with demand. As the week progresses and cream offerings increase, spot prices/multiples drop to the lower end of the ranges. Ice cream output is steady at light to moderate levels. Cream cheese production is increasing for anticipated sales during Lent. It is also common for cottage cheese output and sales improve during Lent. Churning activity is moderate to heavy.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

F.O.B. Producing Plants: Northeast	- 1.6640 - 1.9660	M 1.6900 - 1.7940
	- 1.7290 - 1.8200	

F.O.B. Producing Plants: Northeast

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
FEBRUARY 20 - 26, 1998	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1997	0

Class I demand is generally slower. There are no reported fluid shipments out of the upper Midwest to bottlers in other areas of the country. Extra surplus milk was floating around due to planned plant remodeling, though the fluid from the strike plant is "home" after the settlement late last week. Other manufacturing firms on the eastern side of the Upper Midwest are being offered sizeable volumes from the East. Also, some milk from Michigan was diverted west for processing within the region due to slow Class I sales and limited additional local processing capacity. Interest in spot offerings is lighter due to the volumes available and increased concern over possible product price declines. Manufacturing milk prices range from flat class/MCP to

about 50 cents under class for local supplies. Class II milk demand, including ice cream, was generally improved, aided in instances by Lenten promotions. Local milk intakes increases are becoming more apparent at most locations. The comfortable temperatures have been conducive for milk production. Even in Wisconsin, the winter wheat has greened up due to the unseasonably warm weather (temperatures in the 50s) and even allowed a few golf courses to open unusually early. The early alfalfa growth increases the threat of winterkill if cold weather returns. Most, if not all, the frost is out of the ground and fields are soft, affecting manure hauling and localized truck weight restrictions.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 41.50	\$ 31.00- 38.00
REPLACEMENT HEIFER CALVES	\$110.00-150.00	\$100.00-150.00

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

	FEB 19 - 25	PREVIOUS YEAR
SLAUGHTER COWS	\$ 35.00- 41.00	\$ 32.00- 38.00

W E S T

January 1998 pool receipts of milk in California total 2.24 billion pounds, up 8.6% from last year. The blend price at a fat test of 3.82% is \$13.49, 56 cents lower than December 1997. The percentage of receipts used in Class 1 products is 24.1%. The January quota price is \$14.12, 42 cents lower than last month, and 45 cents lower than last January. The base and overbase price is \$12.42, 42 cents lower than last month but 18 cents more than a year ago. Rains continue to plague California. Many areas are noting record February precipitation totals and seasonal totals that are eclipsing records that have stood for more than 100 years. The weather patterns continue with few sunny days. Localized flooding is common and affecting some transportation routes. Cow losses are above normal levels due to the stress of the wet conditions. Muddy conditions continue to impact feedlots and corrals. Producers with covered free stall lots are faring better, but wet conditions are hampering other aspects of their operations. Many contacts expect milk quality and test to be further affected by the weather. Cow numbers requiring treatment are increasing. Plants' milk receipts are highly variable but commonly reported around a 5% decline. Production in Arizona is also affected by record precipitation. The impact caused January production to be lower than 1997 levels and February output may be at or below a year ago levels. Cream orders are fair to good with more interest noted from ice cream manufacturers. The unsettledness in the butter markets is causing buyers to be cautious. Milk production is rated good by most contacts in the Pacific Northwest. The moderate temperatures that have been the rule for most of the winter are leading to more milk production. Tests are generally rated as good also. Moisture is somewhat above normal west of the mountains, but not causing any production problems. On the east side, mud is more of a concern, but not much worse than normal. Hay and concentrate prices are declining and offerings are increasing. A concern of hay growers is beginning to come true with Japanese buyers now renegeing on some of their fall purchases. This hay is now being offered domestically. It is of fair to good quality. Conditions are not as good in the northern Mountain States region. Lots are very muddy and getting worse. This week, wet snow is compounding the problems. Herd health issues are becoming more prevalent.

**CENTRAL AND WEST DRY MILK PRODUCTS**

All reports, except California manufacturing plants, were released 02/26/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL**

The price range is lower and the market tone is weak. High heat sales have slowed and the majority of interest is focused towards low heat production. Production levels are steady and a few contacts are offering discounts for multi-load sales. Producer stocks are available in excess of current needs.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0200 - 1.0750 MOSTLY: 1.0400 - 1.0500

**DRY BUTTERMILK - CENTRAL**

Prices and the market tone are unchanged. Buying interest is fair. Fewer sale transactions were reported this week. Producer offerings range from available to limited depending on the source. Stocks are adequate for the current demand. Production levels are moderate to heavier.

BUTTERMILK: .9325 - .9675

**DRY WHEY - CENTRAL**

Prices are fractionally lower on the top end of the range, but the mostly remains unchanged. Demand continues to be slow. Many buyers are only purchasing for short term needs. Offered prices differ according to the volume purchased. A few producers are willing to offer discounts on multiple load deals while others are quoting premiums for single loads. The discounts reported are not substantially lower than the market and the bulk of sales transactions are at the market average. Availability throughout the marketplace is mixed. Some producers have extra amounts available for sale while others are short. Production levels range from steady to heavier. Some contacts are cautiously optimistic that demand for March will increase.

NONHYGROSCOPIC: .2300 - .2550 MOSTLY: .2400 - .2500

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged for milk replacer, delactose, and standard. Roller ground prices are lower. All prices remain nominal. Demand is steady to lighter. Offerings are available, but harder to find. Inventories are building as a result of increased edible whey production. Roller ground producers are filling contracts and many are sold out beyond that. The delactose market is firm. Buying interest is strong and sales are active. The majority of producers indicate that supplies are being shipped out as soon as they are made. Production schedules are running 5-6 days per week. Inventories are in balance to short.

MILK REPLACER: .1900 - .2350  
STANDARD: .1800 - .2200  
ROLLER GROUND: .2500 - .2550  
DELACTOSE (Min. 20% protein): .3400 - .3675

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged and the market tone is steady. Buying interest is fair and sales are slower this week. Product availability is mixed. Some producers have spot loads for immediate sale while others remain tight. Overall, production levels and inventories seem to be in balance. Contacts commented that foreign interest continues to be strong in light of financial troubles. The strike at a major plant has ended. Production schedules at the plant are very active to help catch up for previous down time.

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

EDIBLE: .1800 - .2600 MOSTLY: .2100 - .2250

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are steady and the market is quiet. Demand is limited. Spot trading activity is slow to nonexistent. Many producers and resellers are just filling regular accounts. Some contacts foresee a weaker market. The strike at a major plant has ended and the supplier is trying to catch up on lost production.

EXTRA GRADE 34% PROTEIN: .5775 - .6275 MOSTLY: .6050 - .6075

**NONFAT DRY MILK - WEST**

Nonfat prices are lower within the low/medium heat mostly range and for the high heat range. Additional pricing pressure is applied by buyers looking for the best deal possible. The volume of powder available is keeping NDM a buyer's market. Continued offerings to the CCC to keep powder stocks current are not enough, especially with NDM available from producers who cannot or chose not to offer powder to the government. There are indications that lower priced volume deals are occurring, but these are not confirmed. Production levels are seeing some impact from lower milk receipts at the plant level. Demand is seldom better than light. DEIP orders continue to be filled, but canceled and delayed orders are being reported. Producers' stocks remain in excess of needs. CCC adjusted NDM purchases under the price support program during the week of February 16 - 20 totaled 2.19 million pounds.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0200 - 1.0500 MOSTLY: 1.0200 - 1.0350  
HIGH HEAT: 1.0500 - 1.0600

**DRY BUTTERMILK - WEST**

Buttermilk powder prices are higher within the range and the market is steady to slightly firm. Producers are asking for higher prices as their stock positions improve. However, buyers are not as aggressive as in recent weeks and for the time being resisting at higher prices. Demand is lighter and may be partially influenced by the unsettledness in the butter/fat market and the weakness and price of nonfat dry milk. Buttermilk stocks are mostly light to moderate and are in good shape at most facilities. Sales of condensed buttermilk remain good.

BUTTERMILK: .9000 - .9325 MOSTLY: .9100 - .9200

**DRY WHEY - WEST**

The Western mostly price is holding steady while the range increased fractionally. The market is more mixed this week. Some contacts report more trading activity while others believe things are a little slower. Stocks are relatively balanced. Production ranges from both lighter to heavier depending on milk supplies. Domestic demand is about steady with export interest lighter than the excellent sales of last week.

NONHYGROSCOPIC: .2050 - .2250 MOSTLY: .2100 - .2175

**CALIFORNIA MANUFACTURING PLANTS**

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended February 20, on powder sales of 10,748,298 pounds f.o.b. California manufacturing plants was \$1.0336 per pound. This compares to 11,941,048 pounds at \$1.0338 for the previous week ending February 13, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

**NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS**

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

**NONFAT DRY MILK - NORTHEAST AND SOUTHEAST**

Prices are steady to lower and the market tone remains weak and highly competitive. Prices in the \$1.02-1.03 range for low heat powder are more common as producers try to stimulate some interest and keep powder moving. More often, prices at the low end of the range are for large volume/multiload/long term deals. Single load sales are often in the \$1.04-1.05 range with high heat sales in the \$1.08-1.11 area. Production of NDM in the East is heavy and producer stocks are accumulating at most locations. Domestic demand is fair as buyers see little downside risk with respect to prices and availability. Therefore, many are purchasing on an as needed basis. Export interest is fairly good and many Eastern producers are busy filling DEIP contracts. High heat powder is in tighter supply than low heat and sales are reported as fair to good.

Includes EXTRA GRADE and GRADE A, all heat treatments

F.O.B. NORTHEAST: 1.0200 - 1.1100 MOSTLY 1.0300 - 1.0500  
 DELVD SOUTHEAST: 1.0550 - 1.0900

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are steady to lower and the market tone is unchanged. Production levels are moderate to heavy, but most drying plants are busy processing skim milk and have little time to dry buttermilk. Consequently, more condensed/liquid buttermilk is being offered for sale. Demand for powder is steady to improved. Producer stocks are quite well balanced at most locations.

F.O.B. NORTHEAST: .9400 - .9700  
 DELVD SOUTHEAST: .9400 - 1.0025

**DRY WHOLE MILK - NATIONAL**

Prices and the market tone are mostly unchanged. Production is light to moderate as more skim is being dried at those locations that can, and do, dry both products. Producer stocks are quite well balanced as few manufacturers carry much inventory. Domestic demand is fair. Many producers are filling existing DEIP orders.

F.O.B. PRODUCING PLANT: 1.3000 - 1.3700

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 1997 THROUGH FEBRUARY 20, 1998  
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	83,757	MT (184,660,491 LBS)
CHANGE	--	211	MT (465,171 LBS)
WHOLE MILK POWDER	--	7,487	MT (16,505,840 LBS)
Program allocations filled			
CHEESE	--	2,840	MT (6,261,064 LBS)
CHANGE	--	15	MT (33,069 LBS)
BUTTERFAT	--	15,585	MT (34,358,691 LBS)
CHANGE	--	6	MT (13,228 LBS)

Allocations for the DEIP year beginning July 1, 1997, are:  
 Nonfat dry milk - 92,217 MT; Whole Milk Powder - 7,487 MT;  
 Cheese - 3,510 MT; Butterfat - 34,232 MT.

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are steady to occasionally lower. Overall, the market tone is steady. However, there is some unsettledness in evidence. Production levels are heavier and producers often have powder available to move on the spot market. Reports indicate that more producers are offering powder, but few are discounting prices. Demand is still quite sluggish as buyers wait to see where prices are headed. Producers and traders all report a relatively inactive week. Some export interest was noted, but many contacts feel that U.S. prices are still too high for most foreign buyers.

F.O.B. NORTHEAST: EXTRA GRADE .2400 - .2550  
 USPH GRADE A .2500 - .2625  
 DELVD SOUTHEAST: .2600 - .2850

**ANIMAL FEED WHEY - NORTHEAST**

Prices remain too few to report. The market tone has not changed significantly in the past few weeks. Offerings of dry whey are more than adequate for the current, slow to fair demand. Animal feed users/makers are taking contracted volumes, but making few new spot purchases.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production levels are steady to heavier as more surplus milk is available to most plants. Demand is fair for this time of year and often centered around replacement needs. Plant stocks are being replenished and are more than adequate to meet current needs.

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

**CASEIN - NATIONAL**

Casein markets remain basically steady at unchanged prices. Stocks of both acid and rennet are fully sufficient for current needs. Most U.S. users have procured sufficient volumes for first and second quarter needs. U.S. buyers are watching production trends in sourcing countries as the Oceania region nears its seasonal end, while Europe is about to enter their spring flush.

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

RENNET: 2.1600 - 2.2000  
 ACID: 2.0000 - 2.1500

## MONTHLY COLD STORAGE REPORT - TOTAL U.S. STOCKS

NOTE: Data for this report is collected from public, private and semiprivate warehouses, apple houses, and meat packing plants where food products are generally stored for 30 days or more. Commodities in space owned or leased and operated by the armed services are not reported. Food stocks held under bond are included in the storage data.

All stocks in thousand pounds except where otherwise indicated.

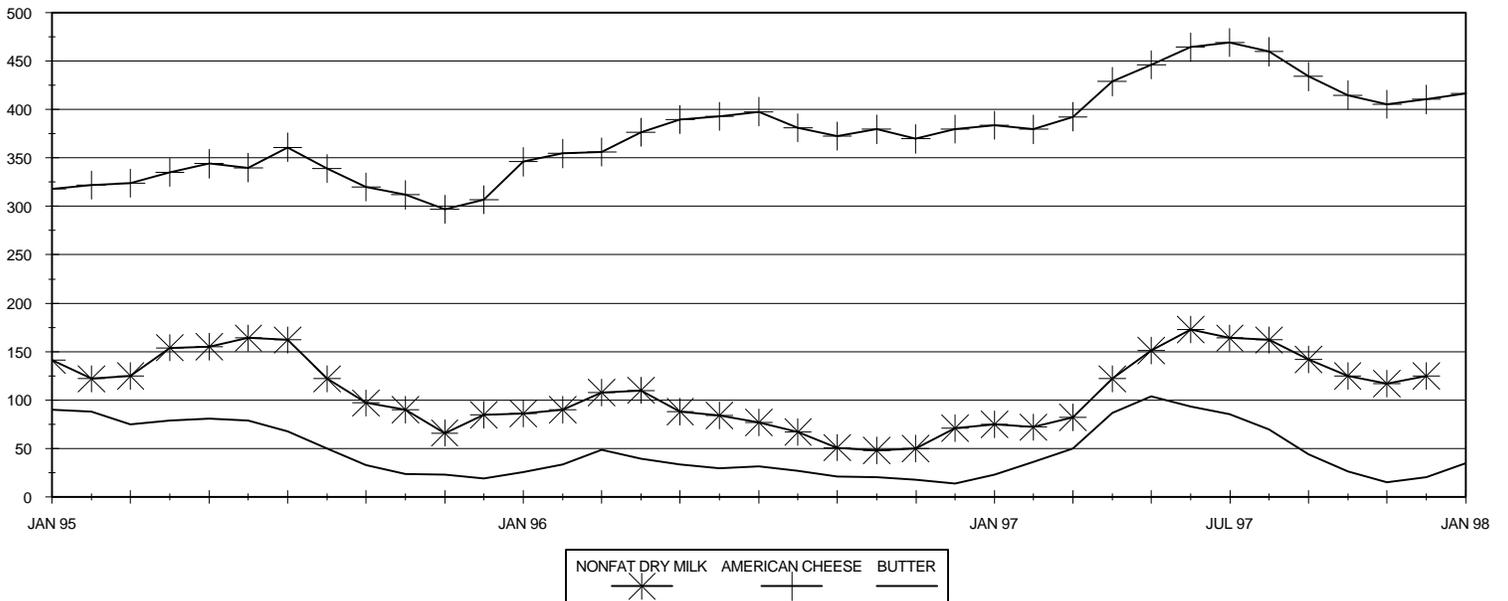
U.S. HOLDINGS OF DAIRY PRODUCTS						
COMMODITY	DEC 31, 1995	DEC 31, 1996	REVISED DEC 31, 1997	JAN 31, 1996	JAN 31, 1997	JAN 31, 1998
Cream	1,453	1,570	---	1,221	---	---
Butter	18,628	13,707	20,788	25,476	23,166	34,953
Evap. & Cond. Milk	995	275	---	788	---	---
Cheese, Natural American	306,796	379,673	410,418	346,143	383,791	416,722
Cheese, Swiss	8,454	12,668	13,843	8,805	13,702	14,392
Cheese, Other Natural	96,812	94,609	56,151	115,283	104,046	67,125
GOVERNMENT OWNED COLD STORAGE HOLDINGS FOR THE U.S.						
Butter	2,797	294	306	3,406	161	160
Natural American Cheese	217	47	103	78	141	103

JANUARY COLD STORAGE HOLDINGS BY REGION									
REGION	Natural American Cheese			Butter			Other Natural Cheese		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
New England	12,206	15,536	23,098	3,403	2,991	3,089	92	173	109
Middle Atlantic	35,788	33,222	41,074	4,051	2,226	1,476	13,761	5,648	5,995
East North Central	192,352	213,175	232,136	4,862	7,960	18,895	88,934	85,468	52,694
West North Central	56,598	62,483	64,157	3,997	2,217	1,490	2,020	2,911	3,392
South Atlantic	203	328	317	1,362	1,005	981	4,460	4,651	611
East South Central	168	182	190	717	264	55	3,800	2,641	1,428
West South Central	281	687	231	2,030	1,131	2,977	109	56	94
Mountain	18,520	18,493	12,212	959	322	205	1,149	894	643
Pacific	30,027	39,685	43,307	4,095	5,050	5,785	958	1,604	2,159
TOTAL	346,143	383,791	416,722	25,476	23,166	34,953	115,283	104,046	67,125

\*Regional breakdowns are not reported to avoid possible disclosure of individual operations.

COLD STORAGE HOLDINGS 1995 TO DATE  
COMBINED GOVERNMENT AND COMMERCIAL

MILLION POUNDS



COMMERCIAL AND GOVERNMENT STORAGE HOLDINGS, JANUARY 1997 TO DATE

Month	Butter						Natural American Cheese						Nonfat Dry Milk					
	Total <u>1/</u>		Commercial		Government		Total <u>1/</u>		Commercial		Government		Total <u>1/ 2/</u>		Commercial		Government <u>2/</u>	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
	Million Pounds						Million Pounds						Million Pounds					
January	34	23	34	23	<u>3/</u>	<u>3/</u>	417	374	417	374	<u>3/</u>	<u>3/</u>	NA	75	NA	75	NA	<u>3/</u>
February		36		36		<u>3/</u>		379		379		<u>3/</u>		72		72		<u>3/</u>
March		50		50		<u>3/</u>		392		392		<u>3/</u>		82		81		<u>3/</u>
April		87		86		<u>3/</u>		429		429		<u>3/</u>		122		121		<u>3/</u>
May		104		103		1		446		446		<u>3/</u>		151		151		<u>3/</u>
June		94		93		<u>3/</u>		464		464		<u>3/</u>		173		173		<u>3/</u>
July		86		85		<u>3/</u>		469		469		<u>3/</u>		164		161		3
August		69		69		<u>3/</u>		459		459		<u>3/</u>		162		156		5
September		44		43		<u>3/</u>		434		434		<u>3/</u>		142		134		8
October		27		26		<u>3/</u>		415		415		<u>3/</u>		125		111		14
November		15		15		<u>3/</u>		405		405		<u>3/</u>		117		95		21
December		21		20		<u>3/</u>		410		410		<u>3/</u>		125		103		22

NA = Not available. 1/ Total may not add due to rounding. 2/ Includes instant nonfat dry milk. 3/ Less than 500,000 lbs.

COMMERCIALLY OWNED COLD STORAGE HOLDINGS FOR THE UNITED STATES 1/

Commodity	Dec 31, 1995	Dec 31, 1996	Dec 31, 1997	Jan 31, 1996	Jan 31, 1997	Jan 31, 1998
		Thousand Pounds				
Butter	15,831	13,413	20,482	22,070	23,005	34,793
Natural American Cheese	306,579	379,626	410,315	346,065	383,650	416,619

1/ Total holdings minus Government owned holdings. For more information, see page 8 of this report.

SOURCE: "Cold Storage," Co St 1 (2-98) and "Dairy Products," Da 2-6 (2-98), Agricultural Statistics Board, National Agricultural Statistics Service; and "Summary of Processed Commodities in Store," Agricultural Stabilization and Conservation Service.

PERCENT OF OPERATIONS WITH MILK COWS AND PERCENT OF MILK PRODUCTION, BY SIZE GROUP OF OPERATION, SELECTED STATES, AND U.S., 1997 <sup>1/</sup>

State	Size group of operation:									
	1-29 Head		30-49 Head		50-99 Head		100-199 Head		200 + Head	
	Operations	Milk Prod.	Operations	Milk Prod.	Operations	Milk Prod.	Operations	Milk Prod.	Operations	Milk Prod.
PERCENT										
AZ	62.1	0.1	---	---	---	---	3.4	0.9	34.5	99.0
CA	17.9	0.1	3.2	0.2	4.3	0.4	10.3	3.3	64.3	96.0
CO	67.8	1.0	4.4	1.8	5.6	4.2	7.8	13.0	14.4	80.0
FL	58.3	0.1	1.7	0.1	5.0	1.2	6.7	2.6	28.3	96.0
GA	32.9	1.0	2.8	1.0	18.6	8.0	27.1	28.0	18.6	62.0
ID	26.9	0.5	10.0	1.5	19.2	5.0	19.2	11.0	24.7	82.0
IL	17.4	2.0	22.6	10.0	41.1	46.0	16.8	31.0	2.1	11.0
IN	53.1	12.0	15.6	15.0	21.9	36.0	7.8	22.0	1.6	15.0
IA	23.5	6.0	27.9	18.0	34.9	40.0	12.1	26.0	1.6	10.0
KY	40.6	5.0	20.3	14.0	28.1	41.0	9.4	30.0	1.6	10.0
MD	16.0	2.2	13.0	4.8	44.0	34.0	22.0	37.0	5.0	22.0
MI	24.4	3.0	20.7	9.0	29.3	25.0	20.2	35.0	5.4	28.0
MN	17.0	4.0	36.0	21.0	36.0	41.0	8.5	19.0	2.5	15.0
MO	41.7	6.0	18.9	15.0	22.2	30.0	15.5	39.0	1.7	10.0
NM	68.0	0.2	---	---	2.0	0.2	2.0	0.6	28.0	99.0
NY	19.8	2.0	23.3	10.0	38.4	32.0	13.9	30.0	4.6	26.0
NC	47.3	0.3	5.4	1.7	18.2	15.0	20.9	41.0	8.2	42.0
OH	53.4	9.0	13.3	12.0	23.3	41.0	8.3	24.0	1.7	14.0
OR	41.1	1.0	2.2	1.0	15.6	11.0	23.3	27.0	17.8	60.0
PA	20.6	4.0	33.9	20.0	33.9	42.0	9.8	23.0	1.8	11.0
TN	18.6	1.5	17.1	5.5	37.2	32.0	21.4	39.0	5.7	22.0
TX	32.0	0.2	4.0	0.8	12.0	6.0	24.0	19.0	28.0	74.0
UT	35.6	1.0	7.8	2.0	18.9	11.0	23.3	31.0	14.4	55.0
VT	7.5	1.0	20.0	7.0	47.5	37.0	17.5	27.0	7.5	28.0
VA	31.2	2.0	6.9	4.0	31.2	30.0	24.4	40.0	6.3	24.0
WA	38.6	0.4	5.0	0.8	8.6	2.8	21.4	18.0	26.4	78.0
WI	18.4	3.5	34.0	22.5	35.6	40.0	10.2	24.0	1.8	10.0
OTHER STS	44.0	2.5	11.5	6.5	25.5	29.0	14.3	26.0	4.7	36.0
U.S.	28.7	2.4	22.5	9.5	29.8	23.4	12.8	20.0	6.2	44.7

<sup>1/</sup> An operation is any place having one or more head of milk cows on hand at any time during the year. Percent of operations was computed by the Agricultural Marketing Service. Information reflects average distributions of various probability surveys conducted during the year but are based primarily on beginning-of-year and mid-year surveys.

**SOURCE:** "Milk Production," Da 1-1 (2-98), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

**EDITOR'S NOTE:** This table can be interpreted as follows: Farms with 1-29 milk cows in California account for 17.9 percent of all operations with milk cows in California and 0.1 percent of total milk production in California. Also, for most states, the 1-29 Head size group likely contains many operations that are not commercial dairy farms.

**LITTLE CHANGE SEEN FOR DAIRY SUPPLY/DEMAND SITUATION IN 1998**

Nothing very dramatic is expected to happen to either the supply or demand for milk and dairy products in 1998, following a year more notable for what did not happen than for what did. In 1998, milk production is expected to be near the 1997 level, while dairy demand grows moderately. With no clear sense of market direction, dairy prices may well stay volatile but are projected to average only slightly higher than in 1997.

Prices of concentrate feeds and forages may ease in 1998 but will stay relatively high through most, if not all, of the year. Expected returns are not likely to upset the balanced trend and structural adjustments that have held milk output fundamentally stable in recent years. Sluggish growth in milk per cow is expected to only barely outweigh a 1-percent decline in milk cow numbers.

Continued economic growth is expected to sustain the good, but not spectacular, dairy demand of recent years. However, reactions to prices above those of earlier in the nineties will pare away some of the potential growth in commercial use. In addition, large stocks of nonfat dry milk and the probable spring lapse in exports under the Dairy Export Incentive Program (DEIP) will weaken price rises.

For all of 1998, farm milk prices are projected to average only slightly above 1997's \$13.38 per cwt. However, odds probably are greater that prices will average above the projection than below. Production faltering because of forage problems or too few farms expanding and stronger-than-expected demand represent two quite plausible scenarios that would generate much higher milk prices.

**QUARTERLY AND ANNUAL FORECASTS**

Item	1998 I	1998 II	1998 III	ANNUAL	
				1997	1998
<u>Million pounds</u>					
<b>Supply/Demand (mf basis)</b>					
Milk Production	39,200	40,800	38,700	156,686	157,100
Commercial use	38,700	39,700	40,300	156,630	158,500
Net removals	200	100	100	1,275	500
<u>Dollars per cwt.</u>					
<b>Market Prices</b>					
Milk, all at plant	14.10-14.70	12.60-13.50	12.20-13.30	13.01	13.10-14.10
Milk, Basic Formula Price	12.70-13.30	11.20-12.10	11.40-12.40	11.53	12.00-12.90

**Source:** "Livestock, Dairy, and Poultry Monthly", LDP-M-50, February 19, 1998, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184 or <JMMILLER@econ.ag.gov>.

