

NATIONAL DAIRY MARKET AT A GLANCE

At the Chicago Mercantile Exchange (CME), Grade AA butter is unchanged at \$1.4900, Grade A is unchanged at \$1.4200, and Grade B increased 4 cents to \$1.4200. Also at the CME, barrel cheese is unchanged at \$1.2000 and 40# blocks increased 2 cents to \$1.2300.

In February 1998, mailbox milk prices reported for selected Federal milk orders averaged \$14.47 per cwt., \$.11 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$14.31, up \$.18; Southeast, \$15.77, up \$.18; Midwest, \$14.55, up \$.08 and West, \$13.76, up \$.09. Compared to February 1997, mailbox milk prices, on average, increased \$1.39 per cwt. Regional changes from the previous year were: +\$1.59 in the Northeast, +\$1.18 in the Southeast, +\$1.36 in the Midwest, and +\$1.37 in the West. The average minimum blend price in February 1998 was \$1.30 above the price in the previous year.

During March, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.3 % above the previous year and 0.7% above February 1998 on an adjusted daily average basis. Sales of whole milk items were 0.7% below the previous year while sales of lowfat and skim milk items were up 0.9%. Total fluid milk sales were lower the Northeast, unchanged in the Far West, and higher in all other regions. Year-to-date comparisons of total fluid milk sales are lower in all regions with all areas combined down 0.8%. It is likely that the timing of the Easter holiday this year has had a positive impact on the change in sales from March 1998 compared to March 1997.

The *World Agriculture Supply and Demand Estimates* first projections for the 1998/99 marketing year show an improved feed situation will help boost milk production about 1% as higher output per cow more than offsets a decline in cow numbers. Modestly favorable demand is expected to boost commercial use in 1998/99, with use up a little more than 1% on a fat basis and nearly 2% on a skim solids basis. The all-milk price in 1998/99 is likely to average a little below the anticipated 1997/98 level.

Milk production is dropping rather sharply in Florida and along the Gulf Coast states where temperatures jumped into the 90's. Elsewhere, changes are more moderate. Milk output is increasing in the Mountain States, Pacific Northwest, parts of California, and the Northeast. In the Southwest, milk production is steady to lighter. Fluid milk supplies are more manageable in the East, but contacts report a difficult time keeping up with all the milk in the Southwest. Eastern and Midwestern manufacturing plants are still full on weekends, but they get caught up at midweek. Florida handlers, who shipped nearly 100 loads of milk out of state last week, canceled most or all scheduled shipments this week.

The dry dairy product markets are little changed from past weeks. Nonfat dry milk offerings are excessive of current spot needs and prices are unchanged. The announced reallocation of 30,000 MT of NDM for DEIP is having little, immediate impact on current market conditions. The dry whey market is mostly steady. Production is seasonally heavy and demand just fair. Lactose and WPC prices are steady to lower and those market tones are weaker. The slower export market, particularly to the Far East, is a major factor for lower prices and increased offerings.

During the week of May 11 - 15, CCC net purchases totaled 8,491,378 pounds of NDM under the price support program from Western producers. This is the largest net weekly purchase of NDM since the first week of May 1991.

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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	MAY 12	MAY 14	MAY 15
AA	\$1.4900 - 1.5000	\$1.4900 - 1.5000	\$1.4900 - 1.5000
A	\$1.4200 - 1.4300	\$1.4200 - 1.4300	\$1.4200 - 1.4300

NOTICE: Effective June 1, 1998, USDA and Dairy Market News will discontinue the Chicago Wholesale butter price series.

BUTTER HIGHLIGHTS: In cash trading at the CME, Grades AA & A are unchanged with Grade B 4 cents higher. Market opinions remain mixed, although the market tone is firm. Producers and handlers are trying to take advantage of as much available cream as possible, but higher than desired multiples and base prices are causing concern on the part of some cream buyers. Stocks of butter range from in close balance to short, but are sufficient for current needs. Overall buying interest is fair.

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	MAY 11 - 15, 1998
BARRELS*	\$1.2000 - 1.2200 (NOMINAL) (.0100) (.0200)
40# BLOCKS	\$1.2200 - 1.2400 (NOMINAL) (.0500) (.0600)

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

CHEESE HIGHLIGHTS: The cheese market tone is unchanged. At the Chicago Mercantile Exchange, in very light trading, barrels were unchanged at \$1.2000 and 40 pound blocks increased 2 cents to \$1.2300. Despite heavier production, there is some occasional tightness on current cheddar offerings. The current low prices have more contacts putting cheddar into aging programs. Process demand is improving seasonally.

CHICAGO MERCANTILE EXCHANGE

BUTTER TRANSACTIONS ON FRIDAY, MAY 15, 1998

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

GRADE	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION - LST
AA	N.C.	\$1.4900 : SALE 05/15/98
A	N.C.	\$1.4200 : BID 05/08/98
B	+.0400	\$1.4200 : BID 05/15/98

SALES: 2 CARS GRADE AA @ \$1.4900 (LST)

BIDS UNFILLED: 5 CARS GRADE AA:
2 @ \$1.4900, 1 @ \$1.4500, 2 @ \$1.4000

1 CAR GRADE B @ \$1.4200 (LST)

OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.6000, 1 @ \$2.0000

CHEESE TRANSACTIONS ON THURSDAY, MAY 14, 1998

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

CHEDDAR STYLES	PRICE CHANGE	LAST SIGNIFICANT TRANSACTION
BARRELS	N.C.	\$1.2000 : BID 05/14/98
40# BLOCKS	+.0200	\$1.2300 : SALE 05/14/98

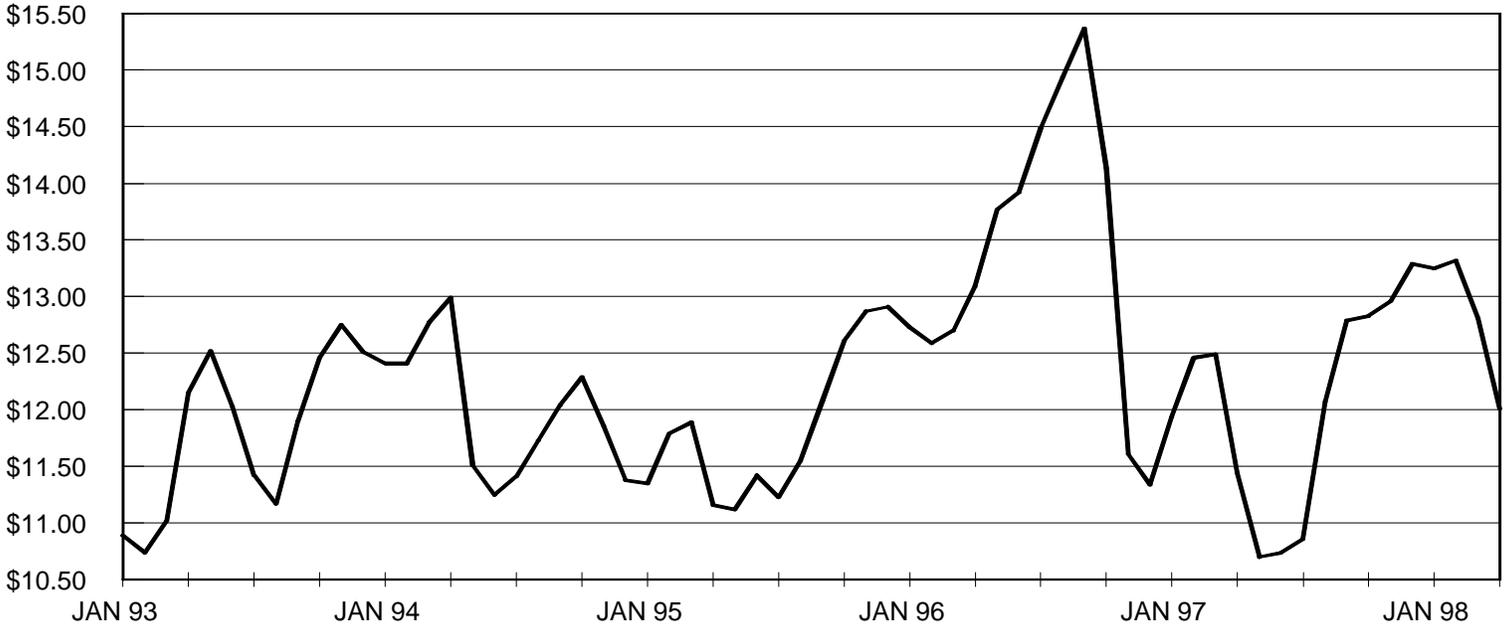
SALES: 2 CARS 40# BLOCKS @ \$1.2300 (LST)

BIDS UNFILLED: 3 CARS BARRELS @ \$1.2000 (LST)
3 CARS 40# BLOCKS @ \$1.2300

OFFERS UNCOVERED: NONE

MW/BFP PRICE AT 3.5% TEST

PER CWT.



PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Prices are unchanged and the market tone remains unsettled. Some contacts, thinking prices at the CME would ease lower, were mildly surprised by last week's increase on Grade A. Prices continue to reflect a firm market, but current butter production trends, ample milk and cream supplies, and consumption patterns seem to reflect something less than a firm market. Churning activity is still quite heavy. Some butter makers have already determined how they will buy/price cream after July 1 when the CME discontinues cash trading on Grades A & B. Butter offerings are more than ample for current demand. There are still reports of producers and speculators storing butter for late-summer/early-fall use. Current orders are light to moderate. Retail movement is sluggish unless featured. Food service orders are slower as restaurants work off pre-Mother's Day stocks before reordering.

WHOLESALE PRICES: MIN 25 BOXES

DOLLARS PER POUND, DELIVERED EAST COAST CITIES

1/4 LB. PRINTS	:	1.7000-1.9475
1 LB. PRINTS	:	1.6150-1.7975
CHIPS/PATTIES	:	1.6775-1.8850
REDDIES	:	1.7525-1.9475
CONTINENTALS	:	1.8325-2.0075

CENTRAL

Print butter prices are unchanged although the market remains mixed. In most instances, producers and handlers report supplies to be lighter than desired for this time of the year. Midwestern buyers that are reaching to Western areas for additional bulk stocks are finding asking prices to be higher. Overall buying interest is seasonally fair with most orders being placed for short term needs. Many butter handlers are trying to build inventories during the spring milk flush, but are having difficulty in securing sufficient cream and butter supplies at equitable prices.

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

1/4 LB. PRINTS	:	1.5900-1.9975
1 LB. PRINTS	:	1.5550-1.7175
CHIPS/PATTIES	:	1.5800-1.7900
REDDIES	:	1.6650-1.9000
CONTINENTALS	:	1.8200-2.0100

WEST

Western print prices are holding steady with trade levels moderate. Orders are being filled for butter that is moving into outlets that cater to the summer vacation trade. Bulk butter shipments continue to be made into other regions of the country. This butter is both for current needs and for storage for late summer and fall needs. Cream demand from ice cream operations is quite mixed. Some contacts report very good cream interest while others believe sales levels are not up to expectations. Overall butter stocks are in generally close balance.

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

1/4 LB. PRINTS	:	1.7725-1.8400
1 LB. PRINTS	:	1.6975-1.7675
PATTIES	:	1.7450-1.9100
REDDIES	:	1.8700-1.8875

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

1/4 LB. PRINTS	:	1.4875-1.5375
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WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	: CHEESE
		:
05/11/98	14,056	: 112,255
05/01/98	10,479	: 111,493
CHANGE	3,577	: 762
% CHANGE	+34	: +1

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.	
MAY 8	1.2048 990,558	1.1721 4,622,802	1.1810 6,169,039	1.2292 1,118,947	1.2031 4,431,889	1.1813 6,813,086	1.1898 11,244,975	

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

CHEESE MARKETS

NORTHEAST

Natural cheddar items are mostly 3 cents higher with process and Swiss unchanged. The market tone is cautiously steady. The increase in 40# blocks at the CME was basically attributed to reversing the inverse spread between blocks and barrels. However, several loads of blocks did trade below the previous week's close of \$1.18. In the East, cheese output, corresponding to milk supplies, is near its seasonal peak. Quite a bit of the cheddar output is being put into aging programs. Demand for current cheddar, mozzarella, and process cheese is steady. Some additional interest for process and mozzarella have been noted in resort areas as Memorial Day and the unofficial beginning of summer isn't too far away. Retail sales are mostly slow to fair.

Correction: Last week's Cheddar 10# Print price should have been \$1.2975-1.6625.

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

Cheddar 10# Prints	:	1.2975-1.6925
Cheddar Single Daisies	:	1.2675-1.5050
Cheddar 40# Block	:	1.3475-1.4975
Process 5# Loaf	:	1.4100-1.5375
Process 5# Sliced	:	1.4300-1.5950
Muenster	:	1.3800-1.8550
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The market is steady with a somewhat unsettled undertone. At the Chicago Mercantile Exchange on May 7, barrels were unchanged at \$1.20 and blocks advanced 3 cents to \$1.21. The barrel/block spread returned to a positive 1 cent after being inverted the previous 2 weeks. Orders for Memorial Day weekend, the traditional start of the summer vacation/travel season, are being filled. Buyers are finding some tightness on current cheddar offerings despite a few buyers talking about possible price weakness. Current low prices have more than a few traders salting an extra load or two of cheddar blocks into aging programs for use later in the year or in case prices rebound further. Process demand is improving seasonally and barrels are about in balance. Swiss prices are lower or are ratcheting lower, reflecting milk price declines. Processors are not finding undergrades as plentiful at some locations so prices are closer to market prices than usual. Volumes of surplus milk from outside the upper Midwest do not seem to be pressuring plant capacity. Local milk receipts are irregularly higher and lower. Better returns from butter/powder operations have also seemed to ease the pressure on cheese production.

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

Process American 5# Loaf	:	1.4975-1.6400
Brick And/Or Muenster 5#	:	1.5700-1.6825
Cheddar 40# Block	:	1.4750-1.9150
Monterey Jack 10#	:	1.6750-1.9150
Blue 5#	:	1.8175-2.1100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5600-1.9150
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.4850

WEST

Process and Swiss prices are generally steady with natural items up as much as three cents. Some contacts are surprised at last week's trading and final outcome. Many were not aware that the block market was that tight. Some have noticed improved sales activity this week as buyers that have been waiting for an indication that a bottom has been reached are now back in the market for slightly heavier volumes of cheese. A number of firms are operating on seven day schedules. Quality problems have improved at most Western operations. Mozzarella sales are strong. Swiss sales remain slower than desired.

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

Process 5# Loaf	:	1.3950-1.6400
Cheddar 40# Block	:	1.3925-1.6000
Cheddar 10# Cuts	:	1.6325-1.7250
Monterey Jack 10#	:	1.5875-1.7050
Grade A Swiss Cuts 6 - 9#	:	2.2800-2.3700

FOREIGNTYPE

Prices on domestically produced cheese are up 3 cents and imported styles are reported as unchanged. The market tone is about steady. Stocks of most cheeses are adequate for the current, slow to fair demand. According to reports, EU-15 cheese production during 1997 is estimated at 5,857 MT, up 0.5% from 1996.

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	: 1.5450-2.1550*
Gorgonzola	: 3.2400-5.9400	: 2.2000-2.4950*
Parmesan (Italy)	: TFEWR	: 2.9550-2.9950*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.2175-1.7450*
Romano (Cows Milk)	: -0-	: 2.7425-2.9950*
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -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 ranges from slightly higher in the Northeast to sharply lower in the Southeast. High temperatures and humidity have hit Florida and most of the Gulf Coast region. Florida handlers who had scheduled quite a bit of milk to be shipped out of state canceled those shipments and report being nicely balanced this week. Some milk production declines were noted in the Carolinas and Virginia. Milk output is near peak levels in PA, NY, and New England, but most contacts think they have a ways to go before hitting the flush. In the Middle Atlantic area, two weeks of rainy weather spurred pasture growth and some feel that the peak has been reached. Some improvement in Class I consumption and slower production gains have some Northeastern contacts feeling better about their ability to handle all their milk. For the most part, scheduled shipments to out-of-region plants have not materialized. Some operations have even caught up at midweek and had some down time. In the Southeast, manufacturing plants are operating on weekends, but do have down days during the week. Bottled milk sales range from steady to slower. Schools in some Southern states are winding up their school-year and milk needs are starting to slow down. The condensed skim market is a little improved now that offering prices are often below NDM prices. Demand is fair to good, particularly from Class III users. The fluid cream market is a little firmer this week. Contacts report tighter, but adequate supplies. Spot prices are generally higher after the May 8, two-cent jump on Grade A butter. Demand is fair to good. Some ice cream producers are still operating at near capacity levels while others have slowed output and are hoping for lower butter/cream prices in the near future. The rainy weather over the past couple weeks has hurt ice cream consumption. Production of cream cheese, sour cream, and other high-fat Class II items ranges from steady to lighter. Churning activity is moderate to heavy.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT	
F.O.B. Producing Plants: Northeast	- 1.8744 - 2.0448
Delivered Equivalent Atlanta	- 1.8176 - 2.0615 M 1.8460 - 1.9596
F.O.B. Producing Plants: Upper Midwest	- 1.8760 - 1.9600

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS	
F.O.B. Producing Plants: Northeast	- .9000 - 1.1000

M I D W E S T

WISCONSIN SPOT SHIPMENTS:	LOADS
MAY 08 - 14, 1998	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1997	0

Class I demand is fairly steady with recent weeks. Handlers are trying to remind bottlers and other buyers of the fast approaching Memorial Day weekend, traditionally one of the year's most challenging weekends to clear extra milk. Advance planning helps handlers "book space" at manufacturing plants early and hopefully minimize sales at greatly discounted prices. Class II interest varies from steady to improved. Plant capacity in upper Midwestern manufacturing plants seems to be much less challenged than a few weeks ago. A number of conversations in the industry question why was milk so long in April and in so much better balance in May? Less than anticipated volumes of milk are

arriving at Midwestern plants from Eastern sources. Locally, very little spot surplus milk was floating around at midweek; volumes are heavier during weekends. Spot surplus milk prices ranged from about \$0.50 - 1.00 under Class/MCP. Cream prices are fairly steady on a limited test. Ice cream producers continue to face the dilemma caused by current high cream prices entering the summer peak demand season. Milk receipts vary by location with some reporting slight declines with others steady to higher. Good progress continues on the spring tillage and planting, but wet conditions continue to hamper some areas. Alfalfa growth is very good with some hay or greenchop expected to start in the next week or so.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 07-13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 37.00- 41.00	\$ 38.00- 44.50
REPLACEMENT HEIFER CALVES	\$ 120.00-155.00	\$ 90.00-125.00

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

	MAY 07-13	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.50- 41.75	\$ 39.00- 46.00

W E S T

The return of wet weather in the major milk producing regions of California is having little immediate impact on milk production. Some areas are having the second wettest May on record with half a month to go. Herd health problems are anticipated with another round of mud. Concerns over the hay crop continue. Rains are affecting the quality of the the crop and the delays in harvesting are going to lessen the number of cuttings this year. The impact of less feed crops is a concern to dairy producers. Plant contacts are noting that milk intakes are seasonally higher, but trailing year ago numbers fractionally to as much as 5% lower. Production in Arizona and New Mexico is steady to seasonally lower and some indications that milk is coming off peak levels. Cream demand is still good for both in region and out of region. Ice cream producers are taking more cream as seasonal demand improves. Multiples are sometimes lower to compensate for the higher Grade A butter price and range from the mid 120's to the mid 130's. Milk production continues to increase seasonally in the Pacific Northwest. Conditions are cooler and wetter this week, but not enough to impact milk output. Many operations are continuing to increase manufacturing schedules to handle the milk receipts. The wet weather is just at the wrong time for those trying to harvest hay. Quite a bit was caught in the swath while others are holding off on cutting until the weather improves. The downside of this strategy is that the hay is getting more mature each day and will start losing feed value very soon. California hay buyers are in the region looking at the quality and price of the new crop hay. Little purchasing has taken place yet. Producers are looking hard at feed costs in relation to the declining milk prices. Many producers have contracted quite a good portion of their future feed needs and are now waiting for further feed price declines. Conditions are sharply cooler in the northern Mountain States region. Heavy snow was common down to 7000 feet. Most hay growers are choosing to wait to start cutting until the weather situation settles down. Milk production remains very strong across the region.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 05/14/98 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

Prices are unchanged and the market tone remains weak. The struggle with slow demand continues and multi-load orders are price negotiable. A few spot loads moved near the average. Central processors offered 1,157,246 pounds to the CCC last week under the price support program. Production levels are increasing as milk supplies are plentiful. Inventories are higher than desired at many locations.

NOTICE: Due to changes in market structure and the declining number of spot trades, Dairy Market News will discontinue reporting high heat NDM in the Central NDM price range after the week ending May 22.

Includes EXTRA GRADE and GRADE A, all heat treatments

NONFAT DRY MILK: 1.0200 - 1.0525 MOSTLY: 1.0275 - 1.0375

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and the market tone is quiet. Buying interest is light with the majority of focus on contract orders to ice cream producers. Spot sales activity is limited. Production levels are steady and stocks are in relatively good balance.

BUTTERMILK: .9325 - .9675

DRY WHEY - CENTRAL

Prices are higher. However, some sources are questioning the current market strength. Demand is showing signs of improvement and is reported as fair to occasionally better. Manufacturing plants are full with increasing milk supplies and many are running at maximum capacity. Although, many producers report stocks are tight as a result of the flourishing sales activity. Offerings are lighter and many suppliers only have a load or two extra for spot sales. Others are sold out beyond contract commitments.

NONHYGROSCOPIC: .2200 - .2400 MOSTLY: .2225 - .2325

ANIMAL FEED WHEY - CENTRAL

Prices are once again unchanged and nominal on all animal feed products. The market tone remains generally weak. Feed demand is slow, especially with the continuing low slaughter hog prices. Hog feeders have cut orders and volumes to adjust to the declining prices. Sources comment that many feed buyers are in decent positions and waiting for market changes before re-entering. Increasingly hot weather, especially in the South, is also beginning to affect cattle eating habits. The delactose market is showing more strength. Spot and contract loads are being filled and moving well. Sales are steady to improved.

MILK REPLACER: .1850 - .2100
STANDARD: .1700 - .2000
ROLLER GROUND: .2400 - .2450
DELACTOSE (Min. 20% protein): .3400 - .3675

LACTOSE - CENTRAL AND WEST

Prices are unchanged on the range, but lower on the mostly. A weaker undertone is emerging in the domestic and export marketplace. A few sources feel prices will continue to weaken for third quarter contracts also. Sales are slow and some producers are discounting in order to move loads out of storage. Domestic spot sales are light and export interest is softening. Asian buyers continue to cut back on contract volumes and the uncertainty of their buying positions is causing concern for many domestic producers. Some contacts are considering lowering prices in order to maintain contract agreements.

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

EDIBLE: .1800 - .2600 MOSTLY: .2050 - .2150

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are steady on the range, but the mostly is lower. The market has remained stable for several weeks, but prices are beginning to falter. Buyer interest is light and producer stocks are building. Numerous producer and resale offers were reported, however, they are being met with limited demand. Many end users are only purchasing on an "as needed" basis. A large volume of feed grade WPC is also available and offers are being deeply discounted.

EXTRA GRADE 34% PROTEIN: .5700 - .6200 MOSTLY: .5975 - .6025

NONFAT DRY MILK - WEST

Nonfat dry milk prices are lower and the market tone remains weak. The USDA has announced that up to 30,000 additional MT of NDM will be allowed to be shipped under DEIP. This volume had been reported as exported, but did not ship. Contacts expect little market disruption by these volumes, due to current supplies and the expected length of order filling. High heat powder is in better balance and sales are good. Additional product is clearing to CCC under the price support program to help balance inventory. A few more producers are reaching the point where they need to decide whether to lower prices to stimulate demand or to offer to the government. Production is increasing seasonally. Demand is light and only for short term needs. Several contacts commented that they are being beat out of sales by low-priced resale powder. Condensed skim demand is good due to price advantage over NDM. During the week of May 4 - 8, Western and Central producers offered 5,976,382 pounds of NDM to the CCC under the support program. This was the largest net weekly purchase of NDM since May 1991. Stocks remain in excess of current needs.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0100 - 1.0350 MOSTLY: 1.0200 - 1.0300
HIGH HEAT: 1.0450 - 1.0550

DRY BUTTERMILK - WEST

Buttermilk prices are steady with a more unsettled market tone developing. Sales of dry buttermilk are mainly limited to contracts with good sales of condensed continuing. Interest in powder are seasonally light and producers are having a difficult time moving any dry buttermilk. Drying schedules are mixed. Stocks range from light to moderate and are building slightly.

BUTTERMILK: .9000 - .9400 MOSTLY: .9100 - .9300

DRY WHEY - WEST

The Western mostly price held steady, but more declines are noted within the range. Offerings of whey are increasing from many Western operations. While offerings of whey powder are increasing, many are holding steady on asking prices. Domestic demand ranges from fair to good. Export sales range from fair to slow. The financial crisis that is facing many Pacific Rim countries is causing many importers to reduce or delay additional whey purchases. Whey production is increasing across the region. Stocks are higher at most locations.

NONHYGROSCOPIC: .2200 - .2400 MOSTLY: .2250 - .2325

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended May 8, on powder sales of 9,431,948 pounds f.o.b. California manufacturing plants was \$1.0345 per pound. This compares to 10,025,114 pounds at \$1.0364 for the previous week ending May 1, 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 unchanged and the market remains weak. Contacts all comment on how little spot activity seems to be occurring in this market. The market is at the point that large-volume, multi-load sales at the bottom of the price range no longer garners much interest. Buyers see no need to buy too far ahead as they see prices remaining at these levels for quite some time. USDA's reallocation of 30,000 MT of NDM for DEIP is welcomed, but not seen as a remedy for the glut of powder already on hand. Production levels are off slightly from a couple weeks ago, but drying schedules remain heavy. The price disparity between Class III and III-A milk is creating more interest in condensed skim which is easing drying schedules. Surplus milk volumes are easing in the Southeast, but milk output is not yet at peak levels in the Northeast. Producers' stocks are heavy.

CORRECTION: Last week's Northeast range should have been \$1.0200-1.1100.

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 - 1.0825

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Production levels are a little heavier. During the past couple weeks, many local butter/powder plants who were too full to take the time to dry buttermilk now have some dryer time for buttermilk. This week, they are less burdened with milk. Stocks are moderate to balanced and demand is fair.

F.O.B. NORTHEAST: .9400 - .9600
 DELVD SOUTHEAST: .9400 - 1.0025

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. However, some Western producers did increase prices within the range. Production levels are steady and there seems to be more capacity at plants that wish to make whole milk powder rather than NDM. Producers' stocks are generally well balanced with the slow to fair spot demand.

F.O.B. PRODUCING PLANT: 1.2075 - 1.3800

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1997 THROUGH MAY 8, 1998
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 92,216 MT (203,371,441 LBS)
 WHOLE MILK POWDER -- 7,487 MT (16,505,840 LBS)
 Program allocations filled
 CHEESE -- 3,373 MT (7,436,116 LBS)
 BUTTERFAT -- 15,648 MT (34,497,580 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 and the market tone are mostly unchanged. Production levels are heavy as cheese output is high. Contacts report that condensed whey is readily available to dryers and/or users. Dry whey offerings are fairly well balanced at most plants. However, some Grade A producers report they are taking orders for delivery in a couple weeks. Spot demand for dry whey is just fair. Export interest is not developing as many suppliers would like or expect.

F.O.B. NORTHEAST: EXTRA GRADE .2175 - .2275
 USPH GRADE A .2325 - .2450
 DELVD SOUTHEAST: .2400 - .2600

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. There is little change in the market. Animal feed makers are readily able to get desired volumes of whey. Demand for animal feed products is just fair with interest from veal grows reported as slow.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are seasonally heavy at most plants. Surplus milk volumes are readily available and current milk prices are lower than the first quarter of the year. These two items are conducive to replenishing inventories. Demand is mostly for replacement volumes.

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 prices are unchanged although the market tone is weak. Current market conditions and readily available supplies are causing some buyers to look at pricing stocks on a monthly basis versus locking in prices quarterly. Stocks are fully sufficient for current needs. Deliveries of casein are on schedule with no problems foreseen in the upcoming months.

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

RENNET: 2.0800 - 2.1600
 ACID: 2.0000 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	04/30	05/01	05/04	05/05	05/06	05/07	05/08	05/11	05/12
CSCE - BFP -- Dollars per cwt.									
APR 98	12.03 (99) 0	12.03 (99) 0	12.03 (103) 0						
MAY98	10.89 (348) 5	10.90 (344) 10	10.93 (344) 0	10.93 (344) 4	10.94 (343) 0	10.90 (343) 3	11.14 (343) 0	11.24 (342) 71	11.16 (343) 1
JUN 98	10.86 (207) 35	10.84 (207) 1	10.86 (207) 0	10.86 (208) 2	10.84 (207) 1	10.84 (207) 0	11.09 (206) 0	11.35 (206) 9	11.39 (206) 2
JUL 98	11.25 (195) 2	11.28 (195) 4	11.25 (195) 2	11.29 (196) 1	11.28 (197) 1	11.29 (197) 3	11.38 (196) 7	11.75 (197) 1	11.80 (197) 7
AUG 98	11.90 (55) 5	11.91 (56) 4	11.88 (56) 1	11.88 (56) 0	11.88 (54) 2	11.88 (54) 0	12.01 (55) 2	12.35 (55) 1	12.38 (55) 0
SEP 98	12.55 (33) 2	12.60 (33) 2	12.58 (33) 0	12.63 (34) 1	12.61 (35) 4	12.61 (35) 0	12.67 (36) 1	12.82 (38) 2	12.88 (39) 1
OCT 98	12.68 (18) 0	12.70 (20) 4	12.68 (20) 0	12.70 (21) 1	12.71 (21) 1	12.69 (21) 0	12.73 (21) 0	12.88 (22) 1	12.93 (22) 0
NOV 98	12.63 (2) 0	12.65 (2) 1	12.60 (2) 0	12.66 (2) 0	12.59 (2) 0	12.65 (2) 0	12.70 (2) 0	12.75 (3) 1	12.73 (3) 0
CME - BUTTER -- Cents per pound									
MAY 98	148.00 (29) 3	145.50 (25) 6	145.50 (33) 0	143.00 (33) 1	143.75 (30) 0	143.75 (26) 4	146.25 (25) 1	147.50 (22) 0	149.95 (21) 1
JUL 98	147.50 (19) 4	145.60 (19) 0	140.60 (19) 1	140.60 (19) 0	138.10 (19) 0	140.60 (22) 4	141.50 (26) 10	141.50 (26) 0	144.00 (26) 0
SEP 98	147.50 (1) 0	147.50 (1) 0	142.50 (1) 0	142.50 (1) 0	142.50 (1) 0	142.50 (1) 0	142.50 (1) 0	142.50 (1) 0	144.00 (1) 0
CME - BFP -- Dollars per cwt.									
APR 98	12.01 (211) 0	12.02 (211) 0	12.05 (211) 0						
MAY 98	10.90 (464) 44	10.87 (488) 61	10.91 (472) 26	10.90 (481) 38	10.92 (487) 2	10.93 (486) 8	11.07 (490) 17	11.25 (419) 261	11.20 (412) 34
JUN 98	10.85 (422) 95	10.81 (440) 35	10.83 (443) 22	10.81 (456) 44	10.82 (463) 8	10.84 (467) 6	11.01 (451) 21	11.35 (468) 74	11.40 (453) 42
JUL 98	11.27 (457) 92	11.25 (466) 20	11.21 (472) 14	11.22 (481) 30	11.22 (482) 7	11.22 (485) 19	11.33 (494) 19	11.71 (507) 31	11.60 (509) 28
AUG 98	11.82 (240) 57	11.81 (240) 10	11.85 (240) 0	11.85 (241) 6	11.86 (245) 4	11.89 (245) 3	11.97 (258) 15	12.25 (261) 6	12.32 (275) 37
SEP 98	12.60 (93) 4	12.61 (95) 37	12.63 (99) 5	12.62 (104) 8	12.60 (106) 5	12.61 (108) 8	12.65 (118) 14	12.89 (122) 14	12.94 (124) 19
OCT 98	12.70 (80) 5	12.70 (85) 9	12.70 (85) 3	12.72 (86) 1	12.70 (90) 8	12.70 (89) 3	12.75 (94) 6	13.10 (95) 7	13.01 (98) 6
NOV 98	12.62 (72) 1	12.60 (74) 6	12.60 (74) 0	12.67 (77) 3	12.65 (78) 5	12.65 (78) 0	12.70 (76) 3	12.79 (75) 8	12.88 (75) 6
DEC 98	12.59 (141) 14	12.60 (149) 9	12.60 (149) 0	12.60 (157) 8	12.55 (160) 16	12.55 (160) 0	12.62 (161) 2	12.71 (165) 5	12.77 (171) 12
CME - CHEDDAR CHEESE -- Cents per pound									
MAY 98	119.50 (128) 8	119.05 (128) 0	119.00 (128) 0	119.00 (129) 10	119.00 (128) 1	118.00 (128) 0	120.00 (128) 0	122.50 (103) 33	122.50 (103) 0
JUL 98	124.50 (121) 10	124.10 (121) 2	124.25 (121) 0	124.25 (121) 0	124.50 (121) 5	124.05 (121) 0	124.05 (121) 0	125.50 (121) 0	125.50 (121) 0
SEP 98	136.25 (70) 0	137.00 (70) 1	139.50 (70) 0	138.25 (70) 0	139.00 (70) 3	139.00 (70) 0	139.75 (70) 0	139.75 (70) 0	141.00 (70) 1

1/ Open interest for NDM and cheddar -- 4 contracts equal 40,000 pounds. Open interest for fluid milk (at both exchanges) -- 1 contract equals 50,000 pounds. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered May 4 - 15, 1998

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERNEUROPE: Much of Western Europe is experiencing hot temperatures for early May. Temperatures in the upper 20's and low 30's Celsius were common. Milk handlers are stating that it is too early to report on any negative impact on milk output. Most feel that seasonal production increases will slow but not be seriously impacted. International market activity remains light and unaggressive. Trading activity that is occurring is basically for internal needs. A weaker U.S. dollar is affecting European prices. The recent announcement by the U.S. Department of Agriculture, pertaining to the reallocation of 30,000 MT of dairy products for export is causing concern with European trades. This announcement, along with already slow international trade, may potentially weaken European prices further.

BUTTER/BUTTEROIL: Butter prices remain basically unchanged. Trading activity is limited to internal uses only. Production is building seasonally, thus clearances to PSA are also increasing. Sales being light, this is giving producers time to replenish low inventory levels for potential future sales.

82% BUTTERFAT:	1,650 - 2,000
99% BUTTERFAT:	2,200 - 2,300

SKIM MILK POWDER (SMP): Skim milk powder markets are generally steady with prices unchanged to slightly lower. As milk output increases seasonally, so is powder production. As in the butter markets, slow trading activity is causing excess stocks to clear to storage programs. Intervention offerings continue to increase. Producers and traders are indicating that potentially large offerings will be destined for intervention clearance during the next few months.

1.25% BUTTERFAT:	1,420 - 1,550
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices unchanged to slightly higher. As in most all dairy products, international trading activity of whole milk powder is light and unaggressive. Previous sales from Eastern Europe destined for Algeria continue to be shipped. Outside of this activity, no new sales activity is developing.

26% BUTTERFAT:	1,650 - 1,800
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SWEET WHEY POWDER: European whey markets are steady to firm with prices unchanged to higher. The strength in the market is being generated by internal demand. International buying interest remains light and unaggressive. Seasonal increases in cheese production are generating additional whey volumes.

NONHYGROSCOPIC:	550 - 650
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OVERVIEW: EASTERN EUROPE: Weather conditions in Eastern Europe are more seasonal than Western Europe, thus milk output is building slowly. Although production is increasing, overall output is reported to trailing last year at this time. International trading activity out of Eastern Europe is reported to be slow. Some previously made contracts continue to be filled, but news sales activity is limited.

OCEANIA

OVERVIEW: In most regions of New Zealand and Australia, milk output is nearing the seasonal end. Early reports are indicating that overall production during the season is ahead of last year. In areas where moisture has been limited in past weeks, rainfall is now occurring, extending the end of the production season. Trading activity remains light out of the region. Oceania traders are questioning what impact the recent U.S.D.A. announcement of the reallocation of 30,000 MT of dairy exports will have on Oceania and the international sales potential. Most feel that this will further displace already slow sales into Mexico and Caribbean markets.

BUTTER: Oceania butter markets remain as they have been for the past few months. Stock levels of available butter are reported to be comfortable at this time. International buying interest is light and unaggressive. Oceania traders are looking beyond regular markets in hopes of generating some type of buyer interest. In most instances, potential markets are not purchasing.

82% BUTTERFAT:	1,650 - 1,750
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CHEDDAR CHEESE: Cheese markets remain generally steady although prices are unchanged to lower. Lack of international sales continues to prevail in this market. Cheese output is declining as seasonal milk production nears an end. Inventory levels are reported to be fully sufficient for current demand.

39% MAXIMUM MOISTURE:	1,800 - 2,100
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SKIM MILK POWDER (SMP): Skim powder markets remain unchanged. The most activity in this market centers around the announcement by the U.S. Department of Agriculture of the 30,000MT of dairy products which were reallocated for export under the DEIP program. Oceania traders are closely monitoring what impact this may have on SMP markets for them. Although international SMP buying interest is limited, the potential for powder moving out of the U.S. to Mexico and the Caribbean will further reduce the chances of sales activity from the Oceania region.

1.25% BUTTERFAT:	1,450 - 1,500
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WHOLE MILK POWDER (WMP): Whole milk powder markets remain unchanged. Sales activity is light. The financial situation in Southeast Asia continues to limit potential sales within that region. Oceania traders are looking beyond traditional markets for potential new sales. At this point, new sales are minimal. Stock levels are reported to be in a comfortable balance with current demand.

26% BUTTERFAT:	1,700 - 1,750
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Exchange rates for selected foreign currencies: May 11, 1998

.4989 Dutch Guilder	.5627 German Mark
.1678 French Franc	.5407 New Zealand Dollar
.1181 Mexican Peso	.6360 Australian Dollar
1.6293 British Pound	.0075 Japanese Yen
.2962 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1181) = 8.4674$. That is 1 US Dollar equals 8.4674 Mexican Pesos.

Source: "Wall Street Journal"

MINIMUM FEDERAL ORDER AND ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES ^{1/}												
CITY	MAY 1996			MAY 1997			APR 1998			MAY 1998		
	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference	Federal Order	Coop.	Difference
	Dollars Per Hundredweight											
Atlanta, GA	15.78	16.18	0.40	15.57	16.42	0.85	16.40	17.40	1.00	15.89	16.89	1.00
Baltimore, MD	15.73	16.48	0.75	15.52	16.57	1.05	16.35	17.80	1.45	15.84	17.29	1.45
Boston, MA	15.94	16.67	0.73	15.73	16.86	1.13	16.56	17.04	0.48	16.05*	16.53	0.48
Carbondale, IL	14.71	15.96	1.25	14.50	16.59	2.09	15.33	17.25	1.92	14.82	16.63	1.81
Charlotte, NC	15.78	16.63	0.85	15.57	16.88	1.31	16.40	17.40	1.00	15.89	16.89	1.00
Chicago, IL	14.10	15.75	1.65	13.89	15.89	2.00	14.72	16.31	1.59	14.21	15.80	1.59
Cincinnati, OH	14.81	15.46	0.65	14.60	15.85	1.25	15.43	17.18	1.75	14.92	16.67	1.75
Cleveland, OH	14.70	15.21	0.51	14.49	15.69	1.20	15.32	17.07	1.75	14.81	16.56	1.75
Dallas, TX	15.86	16.01	0.15	15.65	15.90	0.25	16.48	16.73	0.25	15.97	16.22	0.25
Denver, CO	15.43	16.14	0.71	15.22	15.37	0.15	16.05	16.20	0.15	15.54	15.69	0.15
Des Moines, IA	14.25	15.50	1.25	14.04	15.53	1.49	14.87	15.52	0.65	14.36	15.01	0.65
Detroit, MI	14.55	15.36	0.81	14.34	15.14	0.80	15.17	16.10	0.93	14.66	15.68	1.02
Hartford, CT	15.84	16.57	0.73	15.63	16.76	1.13	16.46	16.94	0.48	15.95*	16.43	0.48
Houston, TX	16.40	16.55	0.15	16.19	16.44	0.25	17.02	17.27	0.25	16.51	16.76	0.25
Indianapolis, IN	14.60	15.77	1.17	14.39	16.08	1.69	15.22	17.06	1.84	14.71	16.41	1.70
Kansas City, MO	14.62	15.72	1.10	14.41	15.85	1.44	15.24	15.84	0.60	14.73	15.33	0.60
Little Rock, AR	15.47	15.67	0.20	15.26	15.51	0.25	16.09	17.09	1.00	15.58	16.18	0.60
Louisville, KY	14.81	15.31	0.50	14.60	15.85	1.25	15.43	16.23	0.80	14.92	15.72	0.80
Miami, FL	16.88	18.36	1.48	16.67	18.58	1.91	17.50	19.72	2.22	16.99	19.21	2.22
Milwaukee, WI	14.01	15.66	1.65	13.80	15.80	2.00	14.63	16.22	1.59	14.12	15.71	1.59
Minneapolis, MN	13.90	15.05	1.15	13.69	15.15	1.46	14.52	15.17	0.65	14.01	14.66	0.65
New Orleans, LA	16.35	16.55	0.20	16.14	16.59	0.45	16.97	17.32	0.35	16.46	16.81	0.35
Oklahoma City, OK	15.47	15.64	0.17	15.26	15.51	0.25	16.09	16.84	0.75	15.58	16.18	0.60
Omaha, NE	14.45	15.55	1.10	14.24	15.68	1.44	15.07	15.67	0.60	14.56	15.16	0.60
Philadelphia, PA	15.79	16.49	0.70	15.58	16.60	1.02	16.41	17.83	1.42	15.90	17.32	1.42
Phoenix, AZ	15.22	15.22	0.00	15.01	15.01	0.00	15.84	15.84	0.00	15.33	15.33	0.00
Pittsburgh, PA	14.70	15.20	0.50	14.49	14.99	0.50	15.32	16.52	1.20	14.81	15.61	0.80
St. Louis, MO	14.71	15.96	1.25	14.50	16.59	2.09	15.33	17.25	1.92	14.82	16.63	1.81
Salt Lake City, UT	14.60	14.78	0.18	14.39	14.54	0.15	15.22	15.37	0.15	14.71	14.86	0.15
Seattle, WA	14.60	14.90	0.30	14.39	14.69	0.30	15.22	15.65	0.43	14.71	15.38	0.67
Spokane, WA	14.60	14.90	0.30	14.39	14.69	0.30	15.22	15.65	0.43	14.71	15.38	0.67
Springfield, MO	14.89	15.29	0.40	14.68	15.31	0.63	15.51	16.51	1.00	15.00	15.60	0.60
Washington, DC	15.73	16.48	0.75	15.52	16.57	1.05	16.35	17.80	1.45	15.84	17.29	1.45
Simple Average	15.13	15.85	0.72	14.92	15.92	1.00	15.75	16.72	0.97	15.24	16.18	0.94

*NOTE: The Northeast Dairy Compact has established a Class I price level of \$16.94 for the period July 1997 to date. The Compact obligation is \$16.94 less the Federal order Class I price shown for Boston. The effective Class I price level is the Federal order price at location plus the Compact obligation plus the figure shown under the column labeled "Difference".

^{1/} Class I prices announced for the beginning of the month by the major cooperative in each city market. These prices may not apply to all of the Class I sales in these city markets. Announced prices may not include handling or service charges applicable to milk from supply plants and competitive credits which may be allowed. These prices have not been verified as having been actually paid by handlers.

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

This report contains the first projections of U.S. milk supply, use, and prices for the 1998/99 marketing year. An improved feed situation will help boost milk production about 1 percent in 1998/99 as higher output per cow more than offsets a decline in cow numbers. Modestly favorable demand is expected to boost commercial use in 1998/99, with use up a little more than 1 percent on a fat basis and nearly 2 percent on a skim solids basis. All of the surplus fat and most of the surplus skim is projected to be removed through the DEIP. The all-milk price in 1998/99 is likely to average a little below the anticipated 1997/98 level. Small adjustments are made this month to 1997/98 dairy estimates.

U.S. MILK SUPPLY AND USE

Item	1996/97 1/	1997/98 Projection 1/		1998/99 Projection 1/		
		April	May	May		
BILLION POUNDS						
SUPPLY						
BEGINNING COMMERCIAL STOCKS 2/ 23/	4.9	5.9	5.9	6.0		
PRODUCTION	156.4	157.1	157.3	158.9		
FARM USE	1.4	1.3	1.3	1.2		
MARKETINGS	155.0	155.8	156.0	157.7		
IMPORTS 2/	2.8	3.1	3.1	3.3		
TOTAL COMMERCIAL SUPPLY 2/	162.7	164.8	165.1	167.0		
USE						
COMMERCIAL USE 2/	156.1	157.9	158.3	160.1		
ENDING COMMERCIAL STOCKS 2/	5.9	5.9	6.0	5.8		
CCC NET REMOVALS:						
MILKFAT BASIS 3/	0.7	1.0	0.8	1.0		
SKIM SOLIDS BASIS 3/	2.7	3.2	3.5	2.8		
DOLLARS PER CWT.						
PRICES RECEIVED BY FARMERS 4/						
BASIC FORMULA (BFP)	11.88	12.35-12.65	12.25-12.45	11.85-12.85		
ALL MILK 5/	13.53	13.70-14.00	13.70-13.90	13.05-14.05		
MILLION POUNDS						
CCC PRODUCT NET REMOVALS 3/						
BUTTER	24	35	25	38		
CHEESE	10	7	7	7		
NONFAT DRY MILK	222	260	280	225		
		QUARTERLY 6/			ANNUAL 6/	
		1998 II	1998 III	1998 IV	1998	1999
BILLION POUNDS						
MILK PRODUCTION	40.9	38.9	38.6		157.7	159.4
DOLLARS PER CWT.						
ALL MILK PRICE 4/ 5/	13.15-13.45	12.40-13.00	13.55-14.45		13.40-13.90	13.15-14.15
BASIC FORMULA PRICE 4/	11.35-11.65	11.50-12.10	12.45-13.35		12.05-12.55	11.90-12.90

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

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

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-338, World Agricultural Outlook Board, USDA, May 12, 1998.

MARCH FLUID MILK SALES HIGHLIGHTS

During March, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.3 percent above the previous year and 0.7 percent above February 1998 on an adjusted daily average basis. Sales of whole milk items were 0.7 percent below the previous year; sales of lowfat and skim milk items were 0.9 percent above the previous year. Total fluid milk sales were lower the Northeast region, unchanged in the Far West region, and higher in all other regions.

SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, LOWFAT AND SKIM MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, MARCH 1998, WITH COMPARISONS 1/

Region 4/	Whole Milk Items 2/				Lowfat and Skim Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Mar	Year to date	Prev. year 5/	Year to date 5/	Mar	Year to date	Prev. year 5/	Year to date 5/	Mar	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	350	1,022	-2.2	-2.4	474	1,371	0.8	-0.1	824	2,393	-0.6	-1.1
Southeastern	337	991	-1.2	-2.3	462	1,365	1.4	0.5	800	2,355	0.3	-0.7
Midwest	263	779	0.1	-0.8	970	2,836	0.6	-1.0	1,233	3,614	0.5	-0.9
Southwest	169	498	2.2	-1.1	210	627	3.1	0	380	1,125	2.7	-0.5
Far West	337	986	-0.6	-0.7	704	2,047	0.4	-0.3	1,041	3,033	0	-0.4
All Areas Combined	1,458	4,276	-0.7	-1.6	2,820	8,245	0.9	-0.4	4,277	12,521	0.3	-0.8

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 90 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Lowfat and skim milk items include plain, solids added, flavored, and miscellaneous lowfat and skim milk products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 65, report #12. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13.

PACKAGED SALES OF FLUID MILK PRODUCTS IN ALL MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, FEBRUARY 1998, WITH COMPARISONS 1/

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole milk 2/	1,332	-0.7	-2.0
2% Lowfat Milk	1,228	-2.1	-3.0
1% Lowfat Milk 3/	619	0.9	0.8
Skim Milk	666	2.6	1.5
Buttermilk	45	-2.0	-2.7
Total Fluid Milk Products 4/	3,902	-0.4	-1.3

1/ These sales volumes and percent changes include preliminary data for the New York-New Jersey milk order marketing area and the California State milk order. However, data for the Tennessee Valley market, which was terminated October 1, 1997, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. 2/ Includes flavored whole milk. 3/ Includes flavored lowfat and skim milk. 4/ Includes miscellaneous products.

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

**MAILBOX MILK PRICES FOR SELECTED FEDERAL MILK ORDERS,
FEBRUARY 1998, WITH COMPARISONS**

In February 1998, mailbox milk prices reported for selected Federal milk orders averaged \$14.47 per cwt., \$.11 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$14.31, up \$.18; Southeast, \$15.77, up \$.18; Midwest, \$14.55, up \$.08 and West, \$13.76, up \$.09. Compared to February 1997, mailbox milk prices increased \$1.39 per cwt. on the average. Regional changes from the previous year were: +\$1.59 in the Northeast, +\$1.18 in the Southeast, +\$1.36 in the Midwest, and +\$1.37 in the West. The average minimum blend price in February 1998 was \$1.30 above the price in the previous year.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	February 1997	January 1998	February 1998
	<u>Dollars per hundredweight</u>		
New England	12.66	14.33* <u>3/</u>	14.14 <u>3/</u>
New York-New Jersey	12.67	14.05	14.32
Middle Atlantic	12.84	14.08	14.50
Northeast Average <u>4/</u>	12.72	14.13*	14.31
Carolina	14.80	15.51	16.03
Tennessee Valley <u>1/</u>	14.28	---	---
Southeast	13.74	14.84	15.02
Florida <u>5/</u>	15.98	17.05	16.89
Southeast Average <u>4/</u>	14.59	15.59	15.77
Southern Michigan	12.81	14.20	14.47
Eastern Ohio-Western Pa.	12.81	14.41	14.56
Ohio Valley	12.85	14.41	14.51
Indiana	12.78	14.50	14.61
Chicago Regional	13.58	14.59	14.62
S. Illinois-E. Missouri	12.44	14.40	14.55
Louis.-Lex.-Evans.	13.16	14.61	14.96
Upper Midwest	13.19	14.50	14.51
Nebraska-Western Iowa	12.87	14.18	14.34
Iowa	12.92	14.31	14.36
Midwest Average <u>4/</u>	13.19	14.47	14.55
Texas	12.94	14.60	14.40
Southwest Plains	12.37	13.84	13.83
Eastern Colorado	12.26	13.66	13.96
S.W. Idaho-E. Oregon	12.26	13.43	13.35
Great Basin	11.88	12.59	12.93
New Mexico-West Texas	12.35	13.32	13.29
Pacific Northwest	12.11	13.40	13.68
West Average <u>4/</u>	12.39	13.67	13.76
All-Market Average <u>4/</u>	13.08	14.36*	14.47

* Revised.

1/ Federal milk orders for which information could be released; the Tennessee Valley order was terminated 10/1/97. 2/ Net pay price received by dairy farmers marketing milk to handlers regulated under the Federal milk orders. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is reported at the market average butterfat test. 3/ Includes Northeast Dairy Compact Over Order Producer Price. 4/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 5/ Weighted average of the information for the Upper Florida, Tampa Bay, and Southeastern Florida orders.

