

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE CASH MARKETS: Grade AA butter increased 1/4 of a cent to \$2.1525. Barrel cheese decreased 1 1/4 cents to \$1.4875 and 40# blocks are unchanged at \$1.6575. The CME Board of Directors approved changing the weekly cash cheese market to a daily cash market. The daily trading will begin September 1, 1998.

BUTTER: Butter producers and handlers are very cautious to maintain inventories at low, workable levels. In many instances, producers are churning for immediate or short term needs only. Ice cream production is reported to be moderate to heavy. Thus, more cream is available to butter makers. Some butter operations are selling their cream rather than churning, but others are taking advantage of the additional cream and meeting buyer interest. Some Western produced bulk butter continues to clear to Midwestern and Eastern buyers. Current buying patterns are reported to be holding steady at fairly good levels. Producers are quite surprised at the good demand, especially for retail needs where reports of consumer price resistance is occurring.

CHEESE: The cash cheese market is relatively steady on blocks, weak on barrels. The current barrel/block spread (17 cents) is the widest spread since October 1996 (20.5 cents). At current prices, buyers are just trying to maintain working inventories. Cheese production is fairly steady, reflecting milk supply. As schools reopen, current cheese stocks traditionally tighten. Cheese yields remain at low, summer levels.

FLUID MILK: Milk production across the country is seasonal. The hot, dry weather recently covering much of the West is impacting the milk flow and there is growing concern over the availability and quality of hay. In the Midwest and East, the milk flow is steady to slightly lower. Fat tests and yields on incoming milk are seasonally low in most sections of the country. Florida and other Southeastern states continue to experience their typical, late-summer milk shortage and are importing milk from greater distances. Milk is being brought in from New England, Michigan, as well as from regular sources in the Middle Atlantic and Midwest areas. For the Southeast as a whole, approximately 260 - 280 loads of milk were imported to meet Class I needs.

DRY PRODUCTS: The dry, dairy product markets are little changed. Nonfat dry milk prices are steady to higher as the market is showing signs of firmness. In the past six weeks since the program allocations were announced, there has been a fast-paced growth in export sales under DEIP. Bids for nearly a third of the program's NDM allocation have already been accepted. The dry whey market seems to have leveled off. Prices are mostly steady and demand is, at best, lackluster. The WPC market is firm. Availability is tight and prices continue to move higher.

CCC: During the week of August 10 - 14, CCC purchases of 1,034,172 pounds of NDM under the price support were offset by cancellations of 4,185,460 pounds of previously offered powder. The week's net figure for NDM is -3,151,288 pounds.

MAILBOX MILK PRICES (USDA, DAIRY PROGRAMS): May 1998 mailbox milk prices reported for selected Federal milk orders averaged \$12.83 per cwt., \$.80 less than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.13, down \$.61; Southeast, \$14.78, down \$.47; Midwest, \$12.56, down \$.95; and West, \$12.23, down \$.75. Compared to May 1997, mailbox milk prices, on average, increased \$.43 per cwt.

SUPPLY AND USE PROJECTIONS FOR MILK (USDA, WAOB): Strong markets for milkfat are supporting higher than anticipated milk prices and the milk price forecasts are raised. Supply and use estimates are little changed from last month.

MINNESOTA MILK PRICING CASE RULING: A three-judge panel of the Eighth U.S. Circuit Court of Appeals in St. Louis issued a ruling on August 13th which reversed a lower court judgment that the Class I differential system under the Federal milk order program is unlawful. The panel also reversed the lower court's injunction against the operation of the Class I differential system. The panel's ruling also stated that the Secretary of USDA may continue to enforce the existing Class I pricing system. The complete ruling can be found on the Internet at: www.wulaw.wustl.edu/8th.cir

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

LST = Last Significant Transaction

BUTTER ON FRIDAY, AUGUST 14, 1998
 (CARLOT UNIT = 40,000-42,000 LBS.)

GRADE	CLOSE	CHANGE
AA	\$2.1525	+0.0025

SALES: 31 CARS: 1 @ \$2.1950, 1 @ \$2.2000,
 1 @ \$2.2075, 1 @ \$2.2125, 1 @ \$2.2150, 1 @ \$2.2125,
 1 @ \$2.2150, 1 @ \$2.2125, 1 @ \$2.2150, 1 @ \$2.1800,
 1 @ \$2.1700, 1 @ \$2.1600, 1 @ \$2.1500, 1 @ \$2.1525,
 1 @ \$2.1625, 1 @ \$2.1600, 1 @ \$2.1575, 1 @ \$2.1550,
 1 @ \$2.1525, 1 @ \$2.1500, 2 @ \$2.1525, 3 @ \$2.1500,
 1 @ \$2.1750, 1 @ \$2.1500, 1 @ \$2.1525, 1 @ \$2.1500,
 1 @ \$2.1575, 1 @ \$2.1525 (LST)

BIDS UNFILED: 9 CARS: 1 @ \$2.1500, 2 @ \$2.1300,
 5 @ \$2.1000, 1 @ \$2.0300

OFFERS UNCOVERED: 7 CARS: 2 @ \$2.1600, 1 @ \$2.1900,
 1 @ \$2.2100, 1 @ \$2.2150, 1 @ \$2.2200, 1 @ \$2.2500

CHEESE ON THURSDAY, AUGUST 13, 1998
 (CARLOAD UNIT = 40,000-44,000 LBS.)

STYLES	CLOSE	CHANGE
BARRELS	\$1.4875	-0.125
40# BLOCKS	\$1.6575	N.C.

SALES: 3 CARS BARRELS:
 2 @ \$1.4900, 1 @ \$1.4925

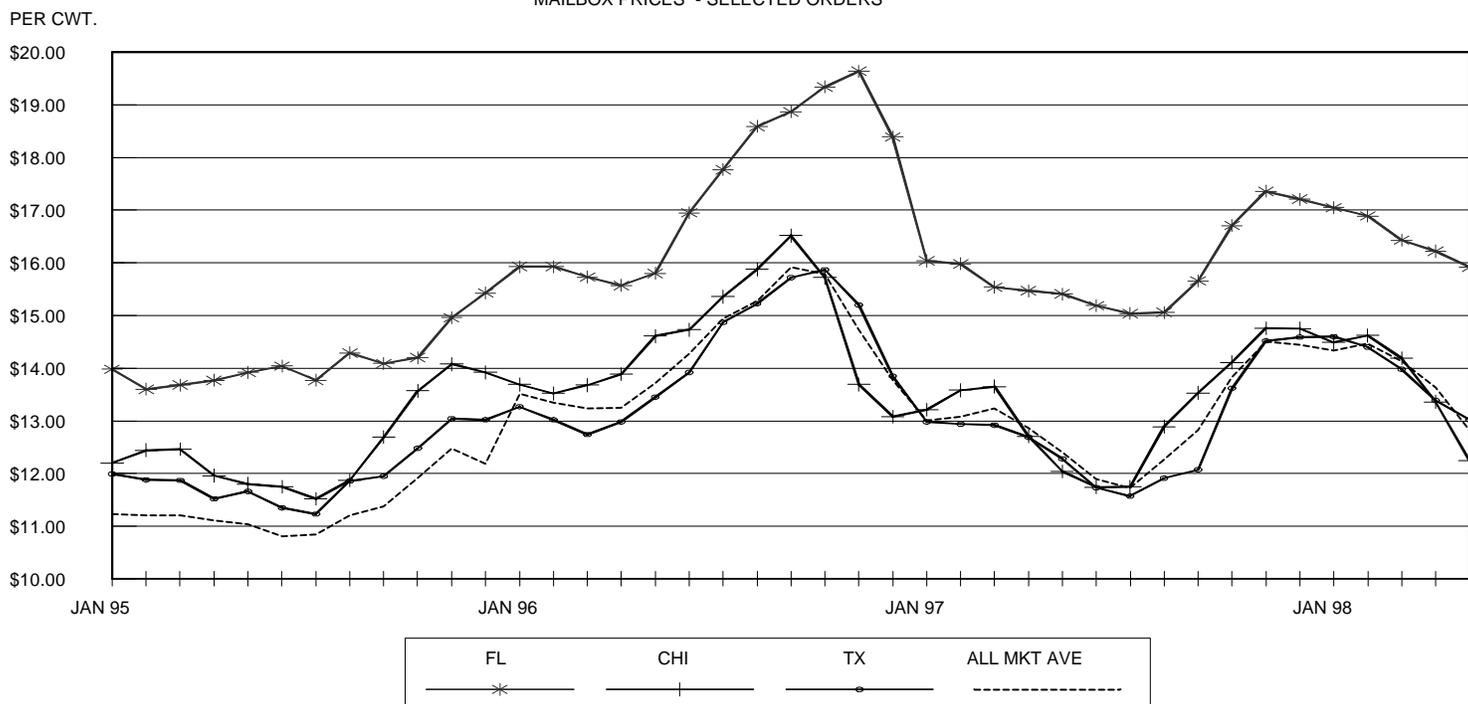
12 CARS 40# BLOCKS: 2 @ \$1.6550,
 6 @ \$1.6575, 2 @ \$1.6550, 2 @ \$1.6575 (LST)

BIDS UNFILED: NONE

OFFERS UNCOVERED: 9 CARS BARRELS: 1 @ \$1.4875 (LST),
 1 @ \$1.4975, 6 @ \$1.5000, 1 @ \$1.5500

2 CARS 40# BLOCKS:
 1 @ \$1.6700, 1 @ \$1.7575

MAILBOX PRICES - SELECTED ORDERS



BUTTERMARKETS

NORTHEAST

The premium structure is unchanged, but the cash close for AA butter at the CME increased another 3 cents to \$2.1500. The market tone remains unsettled. At the CME sales occurred as high as \$2.22 and contacts are unsure if this marks possible upward movement or if there is enough butter to maintain prices. Few contacts want to build inventories, but most do have enough on hand to meet weekly or monthly needs. Production levels are mixed, mostly light to moderate. Local producers are still bringing some bulk from the West Coast to supplement local output. Print orders are fair from retail outlets; steady from food service accounts.

CENTRAL

Butter markets remain firm following the 3 cent increase on the cash butter price at the August 7 Chicago Mercantile Exchange. Producers and handlers continue to exercise caution when making management decisions about production schedules and inventory positions. Most producers are very hesitant to build inventories beyond very short term needs. In most instances, stocks of butter are sufficient for current needs. Churning schedules are cautiously active as cream supplies, although higher in price, are becoming more available to local producers. Current buying patterns are reported to be holding steady at fairly good levels. Producers are quite surprised at the good demand, especially for retail needs where reports of consumer price resistance is occurring.

WEST

Butter producers and handlers continue to adjust prices following another record high cash trading level at the Chicago Mercantile Exchange. In most instances, the pricing basis in the Western part of the United States is unchanged. Producers and handlers continue to absorb available cream volumes. Some butter operations are selling their cream rather than churning, but others are taking advantage of the additional cream and meeting buyer interest. Although ice cream production remains seasonally active, the demand for cream for ice cream needs is edging lower. Butter demand is holding up quite well. Food service orders are fairly strong while retail orders are less positive. For the most part, supplies are fully sufficient to meet current needs. Western produced butter continues to clear to buyers in Midwestern and Eastern areas of the United States.

WHOLESALE SELLING DIFFERENTIALS, F.O.B. PRODUCING PLANTS, TRUCKLOAD QUANTITIES.

FIGURES REPRESENT THE RANGE IN PREMIUMS OR DISCOUNTS (CENTS/POUND) FROM THE CME GRADE AA CASH BUTTER CLOSE AUGUST 7, 1998 CLOSE = \$2.1500

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+4 TO +5	flat TO +4	-4 TO +1

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

	BUTTER	CHEESE
08/10/98	9,847	111,066
08/01/98	9,123	113,415
CHANGE	+724	-2,349
% CHANGE	+ 8	- 2

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS			640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.	U.S.	OTH STATES	U.S.	
AUGUST 7	1,6601 1,708,294	1,5993 4,032,514	1,6200 5,963,557	1,6357 461,951	1,5286 3,688,127	1,4771 3,532,061	1,5032 7,220,188	

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

CHEESE MARKETS

NORTHEAST

Prices are unchanged to fractionally lower on process; steady on natural and Swiss. The market tone is firm, but unsettled. The CME Board of Directors approved changing the weekly cash cheese market to a daily cash market. The daily trading will begin September 1, 1998. Contacts' reactions are mixed. In the East, cheese output is light to moderate as milk and cream supplies tighten seasonally. Demand for cheese is fair, but interest in mozzarella is starting to increase. This is typical as schools and colleges reopen for another school-year. Retail sales are slow to fair and food service orders are fair to good. However, as summer begins to wind down, orders from resort area fast food stands start to slow.

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

Cheddar 10# Prints	:	1.6300-2.1400
Cheddar Single Daisies	:	1.6000-2.1450
Cheddar 40# Block	:	1.7950-1.9450
Process 5# Loaf	:	1.7100-1.8375
Process 5# Sliced	:	1.7300-1.8950
Muenster	:	1.8275-2.1525
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is generally steady, though with an unsettled undertone. At the Chicago Mercantile Exchange cash cheese market on August 6, barrels declined .75 cent to \$1.5000 and 40# blocks were unchanged at \$1.6575. Overall, cheese offerings are increasing. Many buyers have cut their order size to reduce inventories. The wide barrel/block spread continues to challenge barrel plant operators competing for milk. Barrel production in most plants has declined to just meeting regular commitments as producers switch milk to more profitable alternatives where possible. The change from summer varieties like process to more fall/school types such as mozzarella is continuing as the reopening of schools nears in more areas. More producers are announcing Swiss cheese price increases to reflect the higher milk price. Depending on locations, milk receipts are fairly steady with recent weeks as summer heat and humidity have moderated. Cheese yields remain near low, summer levels. The reopening of schools tends to reduce fluid volumes at some cheese plants which places additional pressure on current cheese varieties.

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

Process American 5# Loaf	:	1.5575-1.9000
Brick And/Or Muenster 5#	:	1.8800-2.1400
Cheddar 40# Block	:	1.9000-1.9225
Monterey Jack 10#	:	1.9150-2.1225
Blue 5#	:	2.2650-2.4200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9150-2.0075
Grade A Swiss Cuts 6 - 9#	:	2.2000-2.4850

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	AUGUST 10 - 14, 1998
BARRELS*	:	\$1.4900 - 1.5200 (NOMINAL)
	:	(-\$.0075) (-.0075)
40# BLOCKS	:	\$1.6475 - 1.6875 (NOMINAL)
	:	(-\$.0100)

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

WEST

The Western cheese market tone remains unsettled. Producers continue to adjust prices following cash trading at the Chicago Mercantile Exchange. Most producers are concerned about the widening spread between barrels and blocks. Stocks of cheese vary depending on producers. Some report stocks to be fully committed while others have cheese available. The Chicago Mercantile Exchange announced last week, that beginning September 1, cash cheese trading will be held daily (versus weekly). The Western cheese industry is analyzing the impact of various pricing alternatives. Some of the considerations are: pricing date of production, pricing date of shipment, or using daily closes to establish an average. Whatever the decision is, contacts hope that a consensus can be reached.

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

Process 5# Loaf	:	1.6950-1.9125
Cheddar 40# Block	:	1.8200-1.9200
Cheddar 10# Cuts	:	2.0000-2.1800
Monterey Jack 10#	:	2.0100-2.1425
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.4300

FOREIGN TYPE

Prices and the market tone are unchanged. Imports are reported as light for this time of year and depending on variety and country of origin. Retail sales are seasonally light. However, as the summer vacation season comes to an end, shopping habits return to normal and retail sales tend to improve.

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	: 1.9925-2.6025
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.6875
Parmesan (Italy)	: TFEWR	: 3.4025-3.4425
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.6650-2.1925
Romano (Cows Milk)	: -0-	: 3.1700-3.5125
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 steady to lower in most areas of the East. Temperatures have moderated in much of the Southeast and Middle Atlantic areas and the milk flow has rebounded slightly. In the Northeast, milk output is mostly steady. In Florida, milk production is falling, but at a slower rate than several weeks ago. Florida's need for milk is sharply higher as bottlers begin to fill school lunch pipelines. In Florida and other Southeastern states, schools are starting to open, but the majority will be opening during the next two weeks. Northeastern schools generally open after Labor Day. Handlers in Florida imported about 172 loads this week and buyers are reaching further to find desired volumes. New England milk is moving into Florida and other Southeastern states. For the same week a year ago, Florida imports totaled 142 loads. This week, another 80 - 95 loads were brought into other Southeastern states. Contacts report that this number is about equal to last week, but needs should increase during the next two weeks. Retail sales of bottled milk are slow to fair depending on area. Surplus milk volumes range from light to barely adequate. Plants shipping milk south have little milk to process while others are running on moderate schedules. The condensed skim market is unchanged. Prices and demand are steady. In a few cases, suppliers are making a little more powder to meet commitments and offering less condensed. The fluid cream market is still firm. Offerings range from tight early in the week to balanced later. Spot prices are again higher after the August 7, CME butter cash market closed at \$2.15. Demand is still quite good and some contacts noted that cream cheese makers took some extra loads this week. Ice cream output is holding up quite well. Churning activity ranges from light to moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT			
F.O.B. Producing Plants: Northeast	-	2.7520 - 3.0100	
Delivered Equivalent Atlanta	-	2.7520 - 3.0100	M 2.8380 - 2.9240
F.O.B. Producing Plants: Upper Midwest	-	2.7950 - 2.9670	
PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS			
F.O.B. Producing Plants: Northeast	-	.7500 - .9500	

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
AUGUST 7 - 13, 1998	0
PREVIOUS WEEK	8
COMPARABLE WEEK IN 1997	21

Class I demand is about steady. Bottlers are preparing to boost schedules in a few areas next week where schools are scheduled to reopen. However, most systems are scheduled to start later. Cottage cheese and ice cream interest remains fairly steady. Ice cream manufacturers are trying to just maintain inventories at low, but workable levels as sales are toward the end of the peak summer season. A total of 21 loads of Wisconsin milk were "direct shipped" and pooled under a Southern Federal Order with 15 tankers sent to Missouri and the other 6 to Tennessee. Milk volumes being sent from Michigan to the Southeast for bottling have increased as additional southern schools reopen for the new term. Manufacturing milk interest is about steady. Current manufacturing milk offerings are fairly steady. The reported premiums paid are mostly around the \$1.50 over class/MCP

area. Manufacturing schedules are steady to occasionally lower at some locations due to an increase in milk shipments to bottlers for pooling purposes or moving supplies to produce products which generate better returns. Cream prices are generally higher, reflecting higher butter prices at the Chicago Mercantile Exchange. Continued seasonally cooler, less oppressive, weather has helped milk receipts stabilize. Daily high temperatures are in the 70s and 80s, but cool off to lows in the 50s and 60s. Fat and protein tests remain at low, summer levels.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 37.00	\$ 35.00- 42.00
REPLACEMENT HEIFER CALVES	\$150.00-190.00	\$ 75.00-115.00

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

	AUGUST 6 - 12	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.50- 39.50	\$ 38.00- 44.00

W E S T

California milk production continues to be affected by adverse weather conditions. The impact not only is dropping the volume of milk, but also the fat and solids content. Measures to provide cows relief are helping to a limited extent, but many producers are seeing milk volume numbers decline. Higher milk prices are causing producers to keep cows milking longer. Some areas were receiving lower nighttime temperatures and milk volumes were leveling off and even rebounding. Other parts of the Southwest are also being affected by hot temperatures. Rainfall from a tropical storm had little noted effect, but the cloudiness of the system did lower daytime temperatures. Cream demand is still fair to good but the volumes are often lower and mainly a result of less milk and fat in the milk. Some local butter churners are producing butter to service customers and to keep a working inventory. Local cream multiples are lower and range from 114 to the mid 120's. Weather conditions in the Pacific Northwest are seasonally quite good. Temperatures are warm during the day but cool at night. Milk production is declining slowly. It has been quite some time since measurable moisture has fallen in the area, thus conditions are reported to be dry. Manufacturing schedules within the region remain quite active. For the most part, plant records are indicating that both milk production and manufacturing schedules are running ahead of last year on a cumulative basis. The hay crop in the Northwest continues to pose problems for producers and buyers. This year, the harvest, ranging from cutting to baling, has caused producers many problems: not being able to get into the field for cutting at the optimum time, cut hay being rained upon, and finally when hay is baled, feed quality is not there. Reports of large quantities of feed hay being available outweigh quantities of dairy quality hay. In the Mountain States region, temperatures have moderated somewhat from the highs of the past few weeks. All-in-all, plant receipts are indicating that milk volumes are lower, but not dramatically impacted by the hot temperatures. As schools reopen soon, bottling pipelines are once again being filled. Manufacturers usually look at this time of the year will minimal concern when it comes to milk volumes being diverted away from manufacturing.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 08/13/98 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 higher on both ranges and the market undertone is firming. Many industry sources believe that Western and Eastern pricing is impacting the Central region. As a result, demand is improving and spot sales activity is increasing. However, loads can be obtained through most sellers. Producer stocks range from balanced to heavy. High heat supplies are tighter and availability is limited. Production levels are seasonally lower following milk production patterns. Central offerings of NDM to the CCC under the price support program for the week of August 3 - 6 totaled 127,110 pounds.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0250 - 1.0600 MOSTLY: 1.0300 - 1.0375

DRY BUTTERMILK - CENTRAL

Prices and the market tone are steady. Trading activity is slow due to limited buyer interest. Offerings are available from most producers and resellers. Production levels are lighter as butter production declines. Producer stocks range from moderate to balanced.

BUTTERMILK: .9300 - .9600

DRY WHEY - CENTRAL

Prices are lower on the range, but the mostly is unchanged. The market tone is mixed. Industry contacts are questioning current and future market conditions and price movements. Some manufacturers are discounting, while others remain at premiums. However, many resellers are offering below producers' prices. Demand varies from fair to light. Many buyers are backing off and utilizing inventories. Producer stocks range from moderate to balanced.

NONHYGROSCOPIC: .2700 - .2900 MOSTLY: .2775 - .2825

ANIMAL FEED WHEY - CENTRAL

Prices are lower on milk replacer and standard; unchanged on roller ground. Demand for animal feed is fair. An increasing amount of feed grade whey is becoming available due to processing problems at a few edible plants. Some sellers are reducing prices to attract buyers. The combination of low slaughter prices, hot weather, and depressed eating habits is limiting feed sales. Delactose sales have improved, although prices adjusted lower on the top end of the range. Demand is aggressive from feed users and producer stocks are occasionally short for needs.

MILK REPLACER: .2400 - .2700
STANDARD: .2200 - .2375
ROLLER GROUND: .2900 - .2950
DELACTOSE (Min. 20% protein): .3275 - .3625

LACTOSE - CENTRAL AND WEST

Prices are fractionally lower on the mostly, but the range is unchanged. The market tone remains weak. Buyer interest is spotty. Most spot sales are price negotiable as sellers try to reduce stocks. Quarterly contracts are currently supporting the market. Production levels are lower as milk supplies dry up. The Asian financial crisis continues to have a direct impact on current and future lactose contracts. Asian problems are resulting in fewer exports, rising surpluses, and depressed prices.

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

EDIBLE: .1550 - .2400 MOSTLY: .1750 - .1900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher on both ranges and the market tone remains firm. Demand is strong and supplies are often difficult to find. Producer offerings are tight and many are sold out through the majority of the month. Most sales are occurring through resellers at premiums. Production levels are lower at many locations as manufacturing milk becomes less available. Stocks are limited at many plants.

EXTRA GRADE 34% PROTEIN: .5700 - .5975 MOSTLY: .5800 - .5900

NONFAT DRY MILK - WEST

Nonfat dry milk prices continue to increase and the market tone is firmer. Low/medium heat prices are higher on the bottom and within the range. High heat prices increased in limited trading. Many producers raised prices due to recent increases in demand and lower than expected production. DEIP interest has been good, but some indications are that orders are leveling off and slowing. Producers are canceling sales to the CCC and using that powder to fill orders. The current shortness of NDM in the market is causing some apprehension on the part of buyers and sellers alike. NDM has been close to support levels for over a year and contacts are apprehensive as to whether the current situation is a trend developing or just a temporary shortness. Stocks are at light levels and being held with confidence.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0250 - 1.0500 MOSTLY: 1.0350 - 1.0450
HIGH HEAT: 1.0500 - 1.0800

DRY BUTTERMILK - WEST

Buttermilk prices are higher and the market tone is firmer. Demand is steady to slightly higher than in recent weeks, but offerings are mostly limited. Drying schedules are light due to low volumes of butter that are being churned. However, some additional butter is being churned in the region as churners need butter to fill needs and keep working inventories. Sales of condensed buttermilk continue to be good. Dry buttermilk stocks are generally light and most are committed for later sales or needs.

BUTTERMILK: .9300 - .9800 MOSTLY: .9400 - .9500

DRY WHEY - WEST

The market tone is basically steady with prices unchanged. Buyers are able to acquire needed supplies. Whey stocks are reported to be readily available. Some producers are stating that they continue to clear current production and are comfortable with this supply situation. Some whey continues to leave the country destined for Mexico and South America, while the Asian market is quiet. Contacts indicate that domestic prices are higher than Asian buyers are interested in paying.

NONHYGROSCOPIC: .2300 - .2600 MOSTLY: .2350 - .2400

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended August 7, on powder sales of 7,746,775 pounds f.o.b. California manufacturing plants was \$1.0342 per pound. This compares to 10,021,925 pounds at \$1.0316 for the previous week ending July 31, 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 generally unchanged, but increases within the ranges were noted. The market tone is slightly firmer. More milk is moving out of the Northeast to meet Southeastern needs. This leaves less surplus milk to process. Producers report that output ranges from almost nothing to just a few days a week. Plant stocks are closely balanced. There are reports/rumors circulating that NDM cash trading at the CME will begin in the near future. Some producers are not actively looking for new spot sales. Demand is generally steady. New DEIP bid acceptances continue to be noted. Through August 7, DEIP bid acceptances are up to 32.9% of the program's total of 84,212 MT.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0300 - 1.0500

HIGH HEAT: 1.0600 - 1.1100 MOSTLY: 1.0700 - 1.0800

DELVD SOUTHEAST:

ALL HEATS: 1.0600 - 1.0825

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices and the market tone are unchanged. Production levels are steady to lighter, particularly in those plants that are moving most of their milk interregionally to meet Class I needs. Churning activity is mostly light. Dry buttermilk stocks are closely balanced for the slow to fair spot demand.

F.O.B. NORTHEAST: .9400 - .9500

DELVD SOUTHEAST: .9500 - .9825

DRY WHOLE MILK - NATIONAL

Prices are steady to higher and the market tone is unchanged. Production levels are steady to lighter where milk supplies are the tightest. Domestic demand remains slow to fair, but output for DEIP is steady. Producers' stocks are tight and closely balanced with shipping schedules.

F.O.B. PRODUCING PLANT: 1.4500 - 1.6000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH AUGUST 7, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	27,711	MT (61,091,670 LBS)
CHANGE	--	5,763	MT (12,705,109 LBS)
WHOLE MILK POWDER	--	1,880	MT (4,144,648 LBS)
CHEESE	--	715	MT (1,576,289 LBS)
CHANGE	--	197	MT (434,306 LBS)
BUTTERFAT	--	0	MT
REALLOCATED NDM	--	13,357	MT (36,060,642 LBS)
CHANGE	--	1,000	MT (2,204,600 LBS)

Allocations for the DEIP year beginning July 1, 1998, are:
Nonfat dry milk - 84,212 MT; Whole Milk Powder - 5,003 MT;
Cheese - 3,350 MT; Butterfat - 29,854 MT.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged. However, the market tone seems to be losing a little of its "edge." Demand remains lackluster and offerings are increasing from more sources. Eastern producers are still pretty well sold out, but resellers do have powder to sell. More often than not, resellers are moving powder at prices below what producers are quoting. Also, traders report that Midwestern producers are starting to offer powder. Premiums are still the rule, but not as high as they have been. Production levels are mostly steady. However, there is concern that refilling the school lunch pipelines during the next few weeks plus all the milk moving south will have an adverse impact on cheese output.

F.O.B. NORTHEAST: EXTRA GRADE .2800 - .2875

USPH GRADE A .2850 - .2950

DELVD SOUTHEAST: .3150 - .3225

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. Dry whey offerings are increasing in a few quarters and more "off grade" powder is being made available to feed makers. So far, the increased offers are attracting little new interest. When offerings seem to increase, buyers often become more hesitant.

F.O.B. NORTHEAST: MILK REPLACER TFWER

EVAPORATED MILK - NATIONAL

Prices are unchanged to higher. With the BFP or Class III milk prices jumping nearly \$4.00 during the past two months, manufacturers have announced price increases. Also, some have eliminated or reduced sales allowances or incentives. Demand is fair, but some buyers, taking advantage of buy-in programs, have taken larger than normal volumes. Plant stocks are adequate to meet current needs. The Kansas City Commodity office announced the issuance of EVD-1, invitations 480 inviting competitive offers to sell to CCC 1,689,120 pounds of evaporated milk for shipment in October 1998.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$23.62 - 33.00

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

CASEIN - NATIONAL

Casein markets are steady to weaker with prices unchanged to lower. Stocks are reported to be readily available for current and projected needs. Most buyers do not foresee any supply problems through the balance of the year with some looking into 1999 with much the same sentiment. Spot offerings continue to be available. Rennet buyer interest is somewhat more active. Buyers attribute the increase to firm natural cheese prices.

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

RENNET: 2.0500 - 2.1000

ACID: 1.9500 - 2.1000

FEDERAL MILK ORDER MINIMUM CLASS PRICE HIGHLIGHTS

BASIC FORMULA PRICE. The Basic Formula Price for July 1998 is \$14.77 per hundredweight at 3.5 percent butterfat. The July Basic Formula Price is the June base month Minnesota-Wisconsin (M-W) price of \$13.17 at 3.5 percent plus a change of \$1.60, which is the change in the butter/powder/cheese formula from June to July 1998. The July 1998 Basic Formula Price is \$1.67 more than last month and \$3.91 more than the July 1997 Basic Formula Price. This Basic Formula Price is the Class III price for July 1998 and is to be used in September 1998 for establishing minimum Class I (fluid use) prices and minimum Class II prices under Federal milk orders. To arrive at the minimum Class I price for each market, a Class I differential, ranging from \$1.20 in the Upper Midwest order to \$4.18 in the Southeastern Florida order, is added to this basic formula price. To arrive at the minimum Class II price for all markets, a differential of \$0.30 is added to this basic formula price. For those orders which adjust blend prices for butterfat contents varying from 3.5 percent, the producer butterfat differential per 0.1 percent butterfat is 22.3 cents. **MILK COMPONENT CONTENTS.** For the June 1998 base month M-W price, the butterfat content was 3.64 percent, protein 3.13 percent, and solids-not-fat 8.58 percent. For the July 1998 Basic Formula Price, the butterfat content was 3.61 percent, protein 3.07 percent, and solids-not-fat 8.50 percent.

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT*1/														
FEDERAL MILK ORDER MARKETING AREAS 2/	ORDER NUMBER	JULY								AUGUST		SEPTEMBER		
		PRICE PER 100 POUNDS								PRICE PER 100 POUNDS				
		CLASS I		CLASS II		CLASS III		CLASS III-A		CLASS I	CLASS II	CLASS I	CLASS II	
		1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1998	
		DOLLARS								DOLLARS				
New England (Boston)	1 3/	14.12	13.94	11.18	11.00	14.80	10.89	15.62	12.09	16.34	13.98	13.40	18.01	15.07
New York/New Jersey (NY City)	2 4/	14.02	13.84	11.26	11.08	14.88	10.97	15.70	12.17	16.24	13.88	13.48	17.91	15.15
Middle Atlantic (Philadelphia/Baltimore/Washington, DC)	4 5/	13.91	13.73	11.18	11.00	14.82	10.91	15.64	12.11	16.13	13.77	13.40	17.80	15.07
Carolina (Charlotte)	5	13.96	13.78	11.18	11.00	14.77	10.86	15.59	12.06	16.18	13.82	13.40	17.85	15.07
Southeast (Atlanta/Birmingham)	7	13.96	13.78	11.18	11.00	14.77	10.86	15.59	12.06	16.18	13.82	13.40	17.85	15.07
Upper Florida (Jacksonville/Tallahassee)	6	14.46	14.28	11.18	11.00	14.77	10.86	---	---	16.68	14.32	13.40	18.35	15.07
Tampa Bay	12	14.76	14.58	11.18	11.00	14.77	10.86	---	---	16.98	14.62	13.40	18.65	15.07
Southeastern Florida (Miami)	13	15.06	14.88	11.18	11.00	14.77	10.86	---	---	17.28	14.92	13.40	18.95	15.07
Michigan Upper Peninsula (Marquette)	44	12.23	12.05	11.18	11.00	14.77	10.86	15.59	12.06	14.45	12.09	13.40	16.12	15.07
Southern Michigan (Detroit)	40 6/	12.63	12.45	11.18	11.00	14.77	10.86	15.59	12.06	14.85	12.49	13.40	16.52	15.07
E. Ohio/W. PA. (Cleveland/Pittsburgh)	36	12.88	12.70	11.18	11.00	14.77	10.86	15.59	12.06	15.10	12.74	13.40	16.77	15.07
Ohio Valley (Columbus)	33	12.92	12.74	11.18	11.00	14.77	10.86	15.59	12.06	15.14	12.78	13.40	16.81	15.07

FEDERAL MILK ORDER MINIMUM CLASS PRICES FOR MILK OF 3.5 PERCENT BUTTERFAT*1/														
FEDERAL MILK ORDER MARKETING AREAS 2/	ORDER NUMBER	JULY								AUGUST			SEPTEMBER	
		PRICE PER 100 POUNDS								PRICE PER 100 POUNDS				
		CLASS I		CLASS II		CLASS III		CLASS III-A		CLASS I		CLASS II	CLASS I	CLASS II
		1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1998	1998
DOLLARS										DOLLARS				
Indiana (Indianapolis)	49	12.78	12.60	11.18	11.00	14.77	10.86	15.59	12.06	15.00	12.64	13.40	16.67	15.07
Chicago Regional	30	12.28	12.10	11.18	11.00	14.77	10.86	15.59	12.06	14.50	12.14	13.40	16.17	15.07
Central Illinois (Peoria)	50	12.49	12.31	11.18	11.00	14.77	10.86	---	---	14.71	12.35	13.40	16.38	15.07
S. Illinois/E. Missouri (Alton)	32	12.80	12.62	11.18	11.00	14.77	10.86	---	---	15.02	12.66	13.40	16.69	15.07
Louisville/Lexington/Evansville	46	12.99	12.81	11.18	11.00	14.77	10.86	15.59	12.06	15.21	12.85	13.40	16.88	15.07
Upper Midwest (Minneapolis)	68	12.08	11.90	11.18	11.00	14.77	10.86	15.59	12.06	14.30	11.94	13.40	15.97	15.07
E. South Dakota (Sioux Falls)	76	12.38	12.20	11.18	11.00	14.77	10.86	---	---	14.60	12.24	13.40	16.27	15.07
Iowa (Des Moines)	79	12.43	12.25	11.18	11.00	14.77	10.86	15.59	12.06	14.65	12.29	13.40	16.32	15.07
Nebraska/W. IA. (Omaha/Sioux City)	65	12.63	12.45	11.18	11.00	14.77	10.86	15.59	12.06	14.85	12.49	13.40	16.52	15.07
Greater Kansas City	64	12.80	12.62	11.18	11.00	14.77	10.86	---	---	15.02	12.66	13.40	16.69	15.07
Southwest Plains (Oklahoma City)	106	13.65	13.47	11.18	11.00	14.77	10.86	15.59	12.06	15.87	13.51	13.40	17.54	15.07
Texas (Dallas)	126	14.04	13.86	11.18	11.00	14.77	10.86	15.59	12.06	16.26	13.90	13.40	17.93	15.07
Eastern Colorado (Denver)	137	13.61	13.43	11.18	11.00	14.77	10.86	---	---	15.83	13.47	13.40	17.50	15.07
Western Colorado (Grand Junction)	134	12.88	12.70	11.18	11.00	14.77	10.86	---	---	15.10	12.74	13.40	16.77	15.07
SW Idaho/Eastern Oregon (Boise)	135	12.38	12.20	11.18	11.00	14.77	10.86	15.62	11.90	14.60	12.24	13.40	16.27	15.07
Great Basin (Salt Lake City)	139	12.78	12.60	11.18	11.00	14.77	10.86	---	---	15.00	12.64	13.40	16.67	15.07
Central Arizona (Phoenix)	131	13.40	13.22	11.18	11.00	14.77	10.86	15.62	11.90	15.62	13.26	13.40	17.29	15.07
New Mexico/West Texas (Albuquerque)	138	13.23	13.05	11.18	11.00	14.77	10.86	15.59	12.06	15.45	13.09	13.40	17.12	15.07
Pacific Northwest (Seattle/Portland)	124	12.78	12.60	11.18	11.00	14.77	10.86	15.62	11.90	15.00	12.64	13.40	16.67	15.07
SIMPLE AVERAGE	---	13.20	13.02	11.18	11.00	14.78	10.87	15.60	12.05	15.42	13.06	13.40	17.09	15.07

* To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. For example, the minimum Class I price in Boston (the New England market) in September 1998 is \$18.01 per 100 pounds or \$1.55 per gallon (\$18.01 divided by 11.63 equals \$1.5486).

1/ Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order resumed effective June 1, 1996. This assessment applies to all persons who process and market more than 500,000 pounds of fluid milk products in consumer-type packages in the 48 contiguous States and the District of Columbia during the month.

2/ Names in parentheses are principal cities and pricing points of markets.

3/ Zone 1, Boston. Class I price at 201-210 mile zone--72 cents less.

4/ New York City metropolitan area. Prices at 201-210 mile zone: Class I - 72 cents less, Class II - 8 cents less, Class III - 8 cents less, and Class III-A - 8 cents less.

5/ Prices exclude a 6-cent direct delivery differential applicable to milk delivered to Philadelphia.

6/ Prices exclude a 10-cent direct delivery differential applicable to milk delivered to Detroit metropolitan area.

MINIMUM FEDERAL ORDER AND ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES 1/												
CITY	AUG 1996			AUG 1997			JUL 1998			AUG 1998		
	Federal Order	Coop.	Difference									
Dollars Per Hundredweight												
Atlanta, GA	17.00	18.70	1.70	13.82	14.87	1.05	13.96	15.26	1.30	16.18	17.48	1.30
Baltimore, MD	16.95	17.70	0.75	13.77	14.82	1.05	13.91	14.96	1.05	16.13	17.18	1.05
Boston, MA	17.16	17.89	0.73	13.98	14.91	0.93	14.12	14.60	0.48	16.34*	16.82	0.48
Carbondale, IL	15.93	17.18	1.25	12.75	14.80	2.05	12.89	14.55	1.66	15.11	16.47	1.36
Charlotte, NC	17.00	19.15	2.15	13.82	14.87	1.05	13.96	15.26	1.30	16.18	17.48	1.30
Chicago, IL	15.32	16.97	1.65	12.14	14.30	2.16	12.28	13.87	1.59	14.50	16.09	1.59
Cincinnati, OH	16.03	17.08	1.05	12.85	14.75	1.90	12.99	14.74	1.75	15.21	16.96	1.75
Cleveland, OH	15.92	16.82	0.90	12.74	14.64	1.90	12.88	14.38	1.50	15.10	16.60	1.50
Dallas, TX	17.08	17.73	0.65	13.90	14.15	0.25	14.04	14.54	0.50	16.26	16.51	0.25
Denver, CO	16.65	16.80	0.15	13.47	13.62	0.15	13.61	13.86	0.25	15.83	16.08	0.25
Des Moines, IA	15.47	16.79	1.32	12.29	13.94	1.65	12.43	13.08	0.65	14.65	15.38	0.73
Detroit, MI	15.77	16.58	0.81	12.59	13.90	1.31	12.73	13.91	1.18	14.95	15.81	0.86
Hartford, CT	17.06	17.79	0.73	13.88	14.81	0.93	14.02	14.50	0.48	16.24*	16.72	0.48
Houston, TX	17.62	18.27	0.65	14.44	14.69	0.25	14.58	15.08	0.50	16.80	17.05	0.25
Indianapolis, IN	15.82	16.99	1.17	12.64	14.48	1.84	12.78	14.33	1.55	15.00	16.55	1.55
Kansas City, MO	15.84	16.94	1.10	12.66	14.26	1.60	12.80	13.40	0.60	15.02	15.67	0.65
Little Rock, AR	16.69	17.20	0.51	13.51	13.76	0.25	13.65	14.45	0.80	15.87	16.67	0.80
Louisville, KY	16.03	17.08	1.05	12.85	13.80	0.95	12.99	14.09	1.10	15.21	16.31	1.10
Miami, FL	18.10	21.11	3.01	14.92	17.68	2.76	15.06	18.08	3.02	17.28	20.25	2.97
Milwaukee, WI	15.23	16.88	1.65	12.05	14.21	2.16	12.19	13.78	1.59	14.41	16.00	1.59
Minneapolis, MN	15.12	16.37	1.25	11.94	13.56	1.62	12.08	12.73	0.65	14.30	15.03	0.73
New Orleans, LA	17.57	18.07	0.50	14.39	14.64	0.25	14.53	15.13	0.60	16.75	17.35	0.60
Oklahoma City, OK	16.69	17.34	0.65	13.51	13.76	0.25	13.65	14.25	0.60	15.87	16.52	0.65
Omaha, NE	15.67	16.77	1.10	12.49	14.09	1.60	12.63	13.23	0.60	14.85	15.50	0.65
Philadelphia, PA	17.01	17.71	0.70	13.83	14.85	1.02	13.97	14.99	1.02	16.19	17.21	1.02
Phoenix, AZ	16.44	16.44	0.00	13.26	13.26	0.00	13.40	13.40	0.00	15.62	15.62	0.00
Pittsburgh, PA	15.92	16.42	0.50	12.74	13.54	0.80	12.88	13.68	0.80	15.10	15.90	0.80
St. Louis, MO	15.93	17.18	1.25	12.75	14.80	2.05	12.89	14.55	1.66	15.11	16.47	1.36
Salt Lake City, UT	15.82	15.97	0.15	12.64	12.79	0.15	12.78	12.93	0.15	15.00	15.15	0.15
Seattle, WA	15.82	16.12	0.30	12.64	13.02	0.38	12.78	15.38	2.60	15.00	15.38	0.38
Spokane, WA	15.82	16.12	0.30	12.64	13.02	0.38	12.78	15.38	2.60	15.00	15.38	0.38
Springfield, MO	16.11	16.76	0.65	12.93	13.78	0.85	13.07	13.67	0.60	15.29	15.94	0.65
Washington, DC	16.95	17.70	0.75	13.77	14.82	1.05	13.91	14.96	1.05	16.13	17.18	1.05
Simple Average	16.35	17.29	0.94	13.17	14.28	1.11	13.31	14.39	1.08	15.53	16.45	0.92

*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.

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

In May 1998, mailbox milk prices reported for selected Federal milk orders averaged \$12.83 per cwt., \$.80 less than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$13.13, down \$.61; Southeast, \$14.78, down \$.47; Midwest, \$12.56, down \$.95 and West, \$12.23, down \$.75. Compared to May 1997, mailbox milk prices increased \$.43 per cwt. on the average. Regional changes from the previous year were: +\$.60 in the Northeast, +\$.64 in the Southeast, +\$.32 in the Midwest, and +\$.52 in the West.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	May 1997	April 1998	May 1998
	<u>Dollars per hundredweight</u>		
New England	12.74	13.78 <u>3/</u>	13.46 <u>3/</u>
New York-New Jersey	12.38	13.59	12.79
Middle Atlantic	12.64	14.06	13.55
Northeast Average <u>4/</u>	12.53	13.74	13.13
Carolina	14.39	15.63	14.99
Tennessee Valley <u>1/</u>	13.92	---	---
Southeast	13.38*	14.54	14.06
Florida <u>5/</u>	15.41*	16.22	15.92
Southeast Average <u>4/</u>	14.14	15.25	14.78
Southern Michigan	12.72	13.98	13.28
Eastern Ohio-Western Pa.	12.72	14.01	13.12
Ohio Valley	12.84	14.07	13.33
Indiana	13.23	14.27	13.50
Chicago Regional	12.04	13.36	12.24
S. Illinois-E. Missouri	12.64	13.79	12.85
Louis.-Lex.-Evans.	13.49	14.26	13.84
Upper Midwest	11.74	13.14	12.24
Nebraska-Western Iowa	11.89	13.15	12.14
Iowa	12.14	13.21	12.16
Midwest Average <u>4/</u>	12.24	13.51	12.56
Texas	12.28	13.39	13.02
Southwest Plains	11.89	12.88	12.03
Eastern Colorado	11.69	13.35	12.48
S.W. Idaho-E. Oregon	10.58	12.18	10.91
Great Basin	10.89	12.43	11.58
New Mexico-West Texas	11.54	12.37	11.90
Pacific Northwest	11.81	13.14	12.65
West Average <u>4/</u>	11.71	12.98	12.23
All-Market Average <u>4/</u>	12.40	13.63	12.83

* The corresponding figures in Reports 23 and 28 were incorrect. The correct figures are: for March 1997, \$13.71 and \$15.54; and for April 1997 \$13.45 and \$15.47.

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.

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

Strong markets for milkfat are supporting higher than anticipated milk prices and the milk price forecasts are raised. Supply and use estimates are little changed from last month.

U.S. MILK SUPPLY AND USE

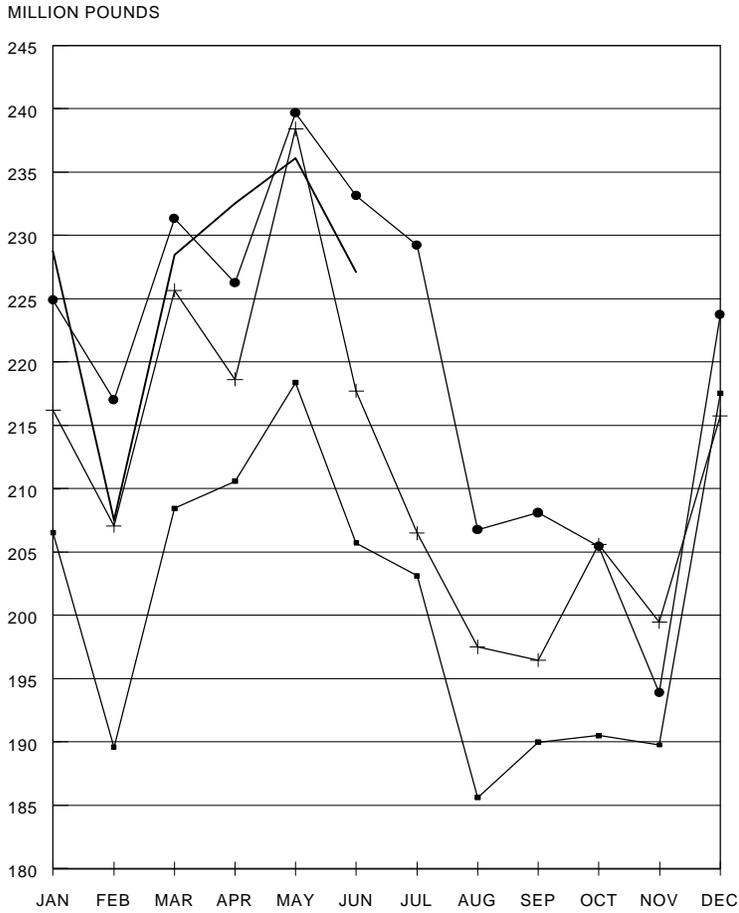
Item	1996/97 <u>1/</u>	1997/98 Projection <u>1/</u>		1998/99 Projection <u>1/</u>		
		July	August	July	August	
BILLION POUNDS						
SUPPLY						
BEGINNING COMMERCIAL STOCKS <u>2/</u> <u>23/</u>	4.9	5.9	5.9	5.6	5.4	
PRODUCTION	156.4	157.4	157.3	159.5	159.5	
FARM USE	1.4	1.4	1.4	1.3	1.3	
MARKETINGS	155.0	156.0	156.0	158.2	158.2	
IMPORTS <u>2/</u>	2.8	3.2	3.2	3.3	3.3	
TOTAL COMMERCIAL SUPPLY <u>2/</u>	162.7	165.1	165.1	167.0	166.8	
USE						
COMMERCIAL USE <u>2/</u>	156.1	158.8	158.9	160.5	160.5	
ENDING COMMERCIAL STOCKS <u>2/</u>	5.9	5.6	5.4	5.8	5.8	
CCC NET REMOVALS:						
MILKFAT BASIS <u>3/</u>	0.7	0.7	0.8	0.7	0.5	
SKIM SOLIDS BASIS <u>3/</u>	2.7	4.0	4.7	3.0	3.7	
DOLLARS PER CWT.						
PRICES RECEIVED BY FARMERS <u>4/</u>						
BASIC FORMULA (BFP)	11.88	12.95-13.05	13.15-13.25	11.75-12.65	11.85-12.75	
ALL MILK <u>5/</u>	13.53	14.25-14.35	14.45-14.55	13.20-14.10	13.45-14.35	
MILLION POUNDS						
CCC PRODUCT NET REMOVALS <u>3/</u>						
BUTTER	24	22	24	25	15	
CHEESE	10	7	7	7	7	
NONFAT DRY MILK	222	325	390	245	305	
		QUARTERLY <u>6/</u>			ANNUAL <u>6/</u>	
		1998 III	1998 IV	1999 I	1998	1999
BILLION POUNDS						
MILK PRODUCTION	39.0	38.7	39.8	157.9	160.1	
DOLLARS PER CWT.						
ALL MILK PRICE <u>4/</u> <u>5/</u>	15.00-15.30	14.90-15.50	13.75-14.65	14.55-14.75	13.15-14.15	
BASIC FORMULA PRICE <u>4/</u>	14.55-14.85	12.80-13.40	11.95-12.85	13.10-13.30	11.75-12.75	

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.

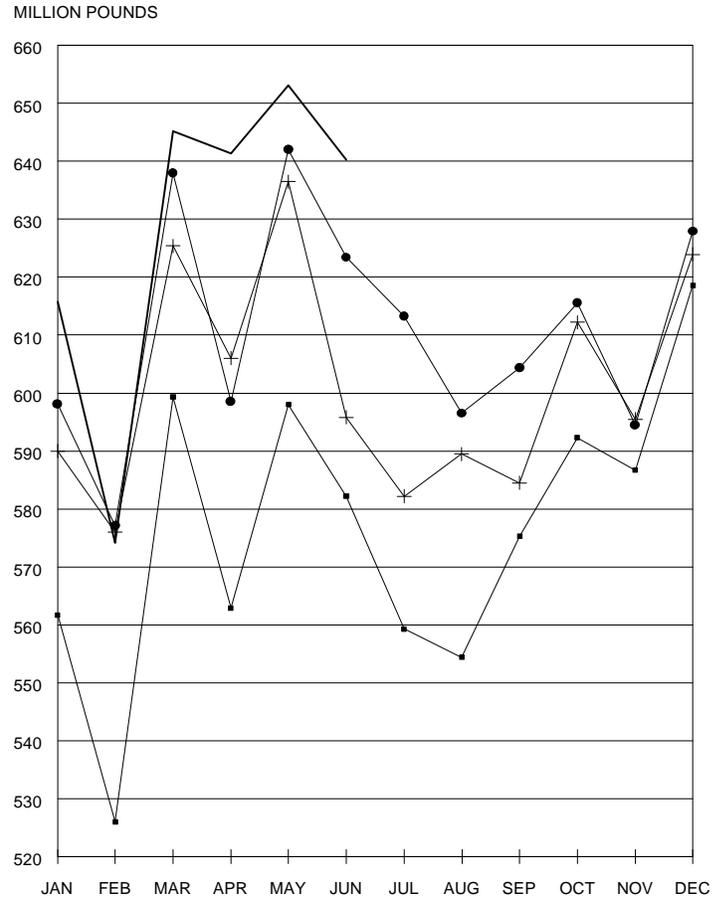
* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: James E. Nix, Chairman, WAOB; Arthur Coffing, FAS; Robert R. Miller, AMS; and James Miller, ERS.

SOURCE: "World Agricultural Supply and Demand Estimates," WASDE-341, World Agricultural Outlook Board, USDA, August 12, 1998.

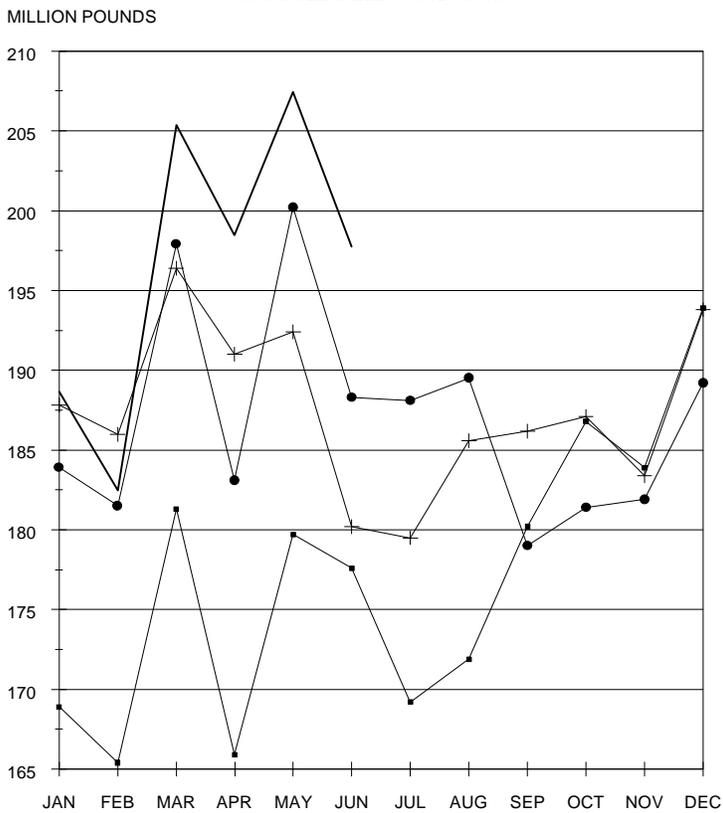
U.S. CHEDDAR CHEESE PRODUCTION



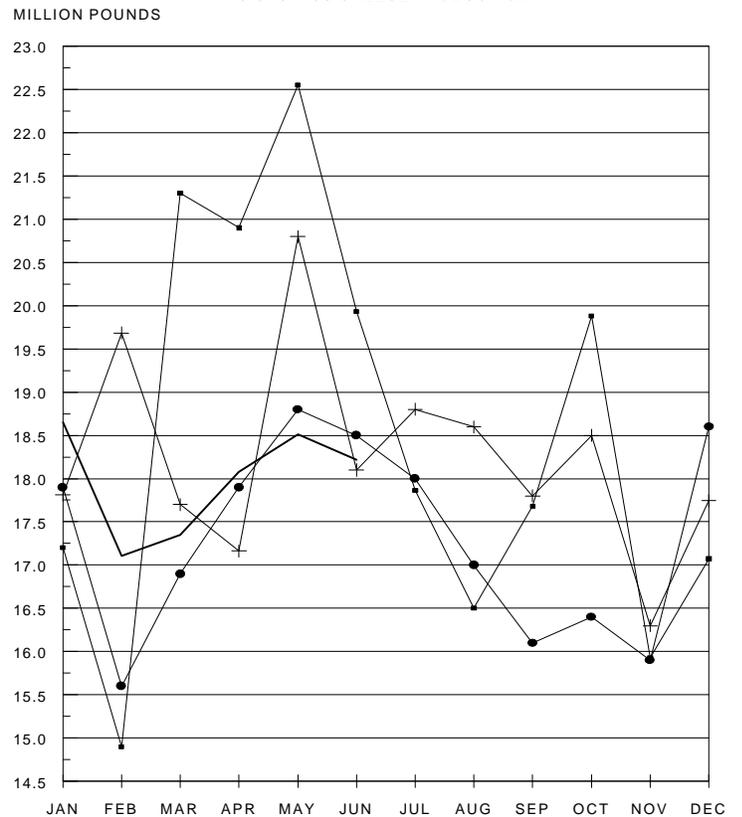
TOTAL CHEESE PRODUCTION



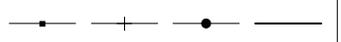
U.S. MOZZARELLA PRODUCTION



U.S. SWISS CHEESE PRODUCTION



1995 1996 1997 1998



CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF AUGUST 10 - 14, 1998				CUMULATIVE TOTALS			UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/97	LAST YEAR	08/07/98	LAST YEAR		
BUTTER									
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE									
Block	-0-	-0-	-0-	-0-	-0-	330,284	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	392,874	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-
NONFAT DRY MILK									
Nonfortified	1,034,172	4,185,460	-3,151,288	133,327,567	8,407,914	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	1,034,172	4,185,460	-3,151,288	133,327,567	8,407,914	-0-	-0-	-0-	-0-

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

	MILKFAT*	SKIM**	MILKFAT*	SKIM**
	BASIS	SOLIDS	BASIS	SOLIDS
WEEK OF AUGUST 10 - 14, 1998 =	-0.7	-36.7	0.5	24.3
CUMULATIVE SINCE OCTOBER 1, 1997 =	29.3	1,551.9	19.5	116.8
CUMULATIVE JANUARY 1 - AUGUST 14, 1998 =	27.6	1,460.5	19.5	116.8
COMPARABLE WEEK IN 1997 =				
CUMULATIVE SAME PERIOD LAST YEAR =				
COMPARABLE CALENDAR YEAR 1997 =				

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
MIDWEST	-0-	-0-	-0-	1,514,684	11,550,729	-0-	8.6	71.9
WEST	-0-	-0-	-0-	392,874	121,490,295	8,407,914	91.2	28.1
EAST	-0-	-0-	-0-	-0-	286,543	-0-	0.2	0.0
TOTAL	-0-	-0-	-0-	1,907,558	133,327,567	8,407,914	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998

MANUFACTURING MILK: Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95

DOLLARS PER POUND

BUTTER: Bulk \$.6500; 1# Prints \$.6800

CHEESE: 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075

NONFAT DRY MILK: Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 07/25/98 & Comparable Week 1997 1/ 2/

Regions*	U.S. TOTAL										% DAIRY OF ALL			
	1	2	3	4	5	6	7	8	9	10	WEEK	SINCE JAN 1		
1998-Dairy cows HD (000)	0.3	1.5	5.7	4.5	16.3	2.0	2.4	0.9	8.2	2.3	44.0	1,534.9	42.0	46.2
1997-Dairy cows HD (000)	0.4	1.5	5.6	6.0	19.9	2.5	3.1	1.0	8.5	2.9	51.2	1,650.4	45.5	45.9
1998-All cows HD (000)	0.3	1.6	7.7	13.7	23.0	21.7	15.6	4.8	11.2	5.3	104.8	3,320.1		
1997-All cows HD (000)	0.4	1.5	7.7	17.0	27.2	16.0	17.8	7.2	11.1	6.7	112.5	3,596.7		

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE INVITATION 8/7

PROCESS	OCTOBER DELIVERY	OFFERS ARE DUE AUGUST 17.
2# PROCESS LOAF	514,800	PUBLIC RELEASE OF AWARDS IS SCHEDULED
5# PROCESS LOAF	1,782,000	FOR AUGUST 20 AT 4:00 P.M. CDT
PROCESS SLICED	3,247,200	
MOZZARELLA		
MOZZARELLA	4,677,440	
MOZZARELLA, LMPS	1,773,760	
MOZZARELLA LITE	483,810	
MOZZARELLA LITE SHREDDED	201,600	
CHEDDAR		
CHEDDAR SHREDDED	153,600	
CHEDDAR CUTS	79,900	
CHEDDAR BLOCKS	119,850	
REDUCED FAT BLOCKS	79,901	
REDUCED FAT CUTS	159,800	
BARRELS	80,000	
REDUCED FAT SHREDDED	576,000	
PROCESS AMERICAN/SKIM BLEND	DELIVERY OCTOBER 1 - DECEMBER 31, 1998	OFFERS ARE DUE AUGUST 20. PUBLIC RELEASE
AMERICAN/SKIM BLEND	990,000-1,782,000	SCHEDULED FOR AUGUST 21 AT 4:00 P.M. CDT

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 78,362,159 CUMULATIVE TOTAL NDM PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77					