

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS: Grade AA butter, in weekly trading, decreased 42 1/2 cents to \$1.3250.

In daily cash cheese trading on Friday, November 20, barrels closed at \$1.8350 and blocks closed at \$1.8700. The weekly average is \$1.8330 for barrels and \$1.8660 for blocks.

In daily cash nonfat dry milk trading, the close on Friday, November 20, is \$1.1550 for Extra Grade and \$1.1650 for Grade A. The weekly average is \$1.1550 for Extra Grade and \$1.1650 for Grade A.

BUTTER: Butter producers and handlers continue to adjust to the weakening cash butter prices over the past 2 months. Cream volumes are readily available, but butter producers are trying to keep churning schedules in balance with projected near term needs. In most instances, producers, handlers, and buyers do not want to carry inventories above very short term needs. Buying interest is reported to be mixed. Retail orders are fairly good as shoppers prepare for the upcoming Thanksgiving holiday, although consumers continue to exercise caution when purchasing butter. In some areas, favorably priced retail feature activity is stimulating butter sales.

CHEESE: The cheddar cheese market continues to firm as cash prices at the CME closed the week at new record highs for the eleventh consecutive week. Current demand remains good. Most plants' output is committed for various periods of time. Cheese production remains at low, seasonal levels. Production schedules are expected to increase next week as bottling interest slows around the holidays.

FLUID MILK: Class I interest is steady to improved. Supplemental fluid imports into the Southeast for Class I use were heavier. Production of holiday items including egg nog, sour cream, and dips was active. Manufacturing schedules were steady to lighter in the Midwest and Northeast, unchanged to heavier in the Southwest and West. Class I and II interest is expected to remain strong into early next week prior to schools closing for the holiday. At that time, larger volumes are expected to be diverted to manufacturing. Current record milk prices have many manufacturers reluctant to make spot milk purchases during the holiday period.

DRY PRODUCTS: Overall drying schedules remain seasonally light in most areas of the country. Production schedules are expected to increase next week when schools close for the holiday. The NDM market is steady to firm. Demand is fair to good, and offerings are limited. Some buyers are supplementing plant purchases with supplies from CCC. The buttermilk market is steady to weaker as churning has increased and demand slowed. Whey is steady to firm with prices unchanged to higher. Demand is not overly aggressive and some plants are purchasing outside supplies to help fill orders.

CCC: During the week of November 16 - 20, CCC reported no support price activity. However, during the week of November 13 - 19, CCC sellbacks totaled 2,230,439 pounds of NDM. Cumulative sellback since October 1, 1998, totals 12,593,911 pounds.

MAILBOX MILK PRICES (USDA, DAIRY PROGRAMS): In August 1998, mailbox milk prices reported for selected Federal milk orders averaged \$15.04 per cwt.,

\$1.28 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$14.75, up \$1.35; Southeast, \$15.75, up \$1.94; Midwest, \$15.20, up \$1.04 and West, \$14.59, up \$1.44. On average, compared to August 1997, mailbox milk prices increased \$2.77 per cwt.

MILK PRODUCTION (NASS): Milk production in the 20 major states during October totaled 11.1 billion pounds, 1.3% above production in these same states in October 1997. September revised production, at 10.7 billion pounds was 0.3% above September 1997. Production per cow in the 20 major states averaged 1,436 pounds for October, 20 pounds (1.4%) above October 1997. The number of cows on farms in the 20 major states was 7.75 million head, down 3,000 head from October 1997 and down 2,000 from September 1998.

DAIRY SITUATION AND OUTLOOK (USDA ERS, AMS): Robust demand and stagnant milk production produced record prices for milk and most dairy products during the summer and autumn and sustained high prices into November. Much larger imports of butter and modest seasonal weakening in butter markets lowered autumn prices to well below the September peak, but cheese prices continued to edge higher through mid-November. Steep price declines are expected to begin within a few weeks, once demand for the year-end holidays is met. Milk production is expected to begin increasing in response to recent high prices, while commercial use also starts to feel their full brunt. Even so, 1999 prices are projected to stay much higher than those of most of the nineties. Demand is expected to remain fairly strong in 1999 but will be weakened by delayed response to the price levels of 1998. Domestic economic growth is projected to continue, although troubles in other economies will be worrisome. For 1999, retail dairy prices are projected to increase 2 to 4%, even though they may post declines by the end of the year.

SEPTEMBER FLUID MILK SALES HIGHLIGHTS (USDA, AMS): During September, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.4% below the previous year and 4.8% below August 1998 on an adjusted daily average basis. Sales of whole milk items were 0.1% below the previous year; sales of fat-reduced milk items were 0.7% below the previous year. Cumulative total fluid sales for January through September total 36.9 billion pounds, down 0.6% from the same period in 1997.

FEDERAL MILK ORDER MARKET SUMMARY (USDA, AMS): During October, about 7.6 billion pounds of milk were marketed under Federal orders; an estimated 1.7 billion pounds was not pooled due to disadvantageous price relationships. Producer deliveries were about 1.7% more than October 1997, and about 0.1% less than September 1998 on an estimated daily average basis. Milk utilized in Class I products in October was 1.7% less than last year on an adjusted basis. The average blend price was \$16.89, \$3.12 more than last year. Changes in class prices from year-earlier levels were: Class I, up \$2.92; Class II, up \$2.92; Class III, up \$3.21; and Class III-A, up \$4.64.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-42,000 lbs.

PRODUCT	MONDAY NOV 16	TUESDAY NOV 17	WEDNESDAY NOV 18	THURSDAY NOV 19	FRIDAY NOV 20	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.8300 (N.C.)	\$1.8300 (N.C.)	\$1.8350 (+.0050)	\$1.8350 (N.C.)	\$1.8350 (N.C.)	+.0050	\$1.8330 (+.0050)
40# BLOCKS	\$1.8625 (+.0025)	\$1.8625 (N.C.)	\$1.8650 (+.0025)	\$1.8700 (+.0050)	\$1.8700 (N.C.)	+.0100	\$1.8660 (+.0065)
NONFAT DRY MILK EXTRA GRADE	\$1.1600 (N.C.)	\$1.1600 (N.C.)	\$1.1550 (N.C.)	\$1.1550 (N.C.)	\$1.1550 (N.C.)	N.C.	\$1.1550 (-.0020)
GRADE A	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	\$1.1650 (N.C.)	N.C.	\$1.1650 (N.C.)
BUTTER GRADE AA	NOTE: Next week, butter trading will be on Wednesday, November 25. Also, the cash cheese and NDM markets will not trade on November 27.				\$1.3250 (-.4250)	----	----

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM

CHICAGO MERCANTILE EXCHANGE

Trading Activity - November 16 - 20, 1998

MONDAY, NOVEMBER 16, 1998

CHEESE -- SALES: 2 CARS BARRELS @ \$1.8300; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.8625; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

TUESDAY, NOVEMBER 17, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.8625; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, NOVEMBER 18, 1998

CHEESE -- SALES: 1 CAR BARRELS @ \$1.8350; BIDS UNFILLED: 4 CARS BARRELS: 1 @ \$1.8350, 1 @ \$1.8325, 2 @ \$1.8300; 5 CARS 40# BLOCKS: 2 @ \$1.8650, 3 @ \$1.8625; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, NOVEMBER 19, 1998

CHEESE -- SALES: 5 CARS BARRELS: 2 @ \$1.8375, 3 @ \$1.8350; BIDS UNFILLED: 1 CAR BARRELS @ \$1.8350; 4 CARS 40# BLOCKS: 1 @ \$1.8675, 2 @ \$1.8650, 1 @ \$1.8700; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, NOVEMBER 20, 1998

CHEESE -- SALES: NONE; BIDS UNFILLED: 4 CARS BARRELS @ \$1.8350; 1 CAR 40# BLOCKS @ \$1.8700; OFFERS UNCOVERED: NONE

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER -- SALES: 38 CARS: 5 @ \$1.3250, 2 @ \$1.3300, 1 @ \$1.3325, 1 @ \$1.3350, 1 @ \$1.3300, 2 @ \$1.3325, 1 @ \$1.3450, 1 @ \$1.3500, 1 @ \$1.3600, 1 @ \$1.3700, 1 @ \$1.3800, 1 @ \$1.4200, 1 @ \$1.4300, 1 @ \$1.4400, 1 @ \$1.4500, 1 @ \$1.4600, 1 @ \$1.4800, 1 @ \$1.4900, 1 @ \$1.3400, 1 @ \$1.3200, 1 @ \$1.3175, 1 @ \$1.3275, 1 @ \$1.3050, 1 @ \$1.3000, 1 @ \$1.3025, 1 @ \$1.3075, 1 @ \$1.3100, 1 @ \$1.3400, 1 @ \$1.3375, 1 @ \$1.3450, 1 @ \$1.3425, 1 @ \$1.3250; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 21 CARS: 1 @ \$1.3800, 1 @ \$1.3875, 1 @ \$1.4400, 5 @ \$1.4500, 1 @ \$1.4600, 1 @ \$1.4700, 1 @ \$1.4800, 1 @ \$1.4850, 1 @ \$1.4900, 1 @ \$1.5000, 1 @ \$1.5900, 1 @ \$1.6000, 1 @ \$1.7200, 1 @ \$1.7250, 1 @ \$1.7350, 2 @ \$1.7450

BUTTER MARKETS

NORTHEAST

Premium structures steady to lower. The butter price at the CME dropped for the eighth consecutive week. At the 11/13 CME session, butter closed down 38 cents to \$1.75. Contacts point to the fact that out of the 36 cars sold, 26 of them sold below the closing price. This supports the opinion of many contacts who feel that prices still have a ways to drop. With this in mind, butter sales are still slower than some would have expected for the week prior to Thanksgiving. However, with prices off more than a dollar in the past seven weeks, distributors hope that retail outlets will move prices lower to stimulate sales. Retail feature activity is scattered. Food service orders have been fairly good as restaurants prepare for a busy Thanksgiving weekend. Churning activity is light to moderate, but increasing volumes of cream are available to butter makers. Bulk and print stocks are more than adequate to meet current needs.

CENTRAL

Butter markets continue to be weak and unsettled. Producers and handlers are still adjusting to the \$1.06 decline in the AA cash butter price over the past 8 weeks. As has been the case in past weeks, most producers and buyers are hesitant to accumulate any sizable inventories due to the overall weak tone to the market. Reports of buying interest range from slow to fairly good. The upcoming Thanksgiving holiday has bolstered butter demand. In some retail stores, feature activity at less than \$1.00 per pound has cleared good volumes of print butter, although regular shelf prices have remained relatively high in comparison to the weakening cash price. All-in-all, orders have held up quite well. Butter handlers are quite sure that the holiday time of year is encouraging consumers to return to butter consumption, although most are reluctant/hesitant to pay the high shelf price at this time.

WEST

Butter price differentials are significantly lower than they have been in recent weeks. Sales activity is very slow. Buyers are waiting until the last possible instant before making additional purchases because of the weak nature of the market. Not all producing firms are willing to discount this much and many of those that are not are facing growing inventory problems. Some Western firms are offering butter on the CME to get stocks under control. Production is up at many locations due to very heavy cream offerings. Churning is a last resort option, but at this time of year there are not many other good options. Print retail orders are slower than last year. Contacts are blaming the record high prices for curtailing demand. Now they are wondering if the declining wholesale prices will encourage buyers to return to the dairy case for holiday butter needs if store prices come down quickly enough. Many consumers continue to face "sticker shock" on the store shelves.

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 NOVEMBER 13, 1998 CLOSE = \$1.7500

STYLE	NORTHEAST	CENTRAL	WEST
BULK	flat TO +5	flat TO +3	-10 TO -3

NASS DAIRY PRODUCT PRICES
U.S. AVERAGE AND TOTAL POUNDS

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
NOVEMBER 14	1.8314 5,542,065	1.8066 7,873,679	1.0805 9,861,826	2.0215 3,491,019	0.2434 7,196,125

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 higher again this week. The market tone is firm, but more contacts wonder how long prices at the CME can continue their upward spiral. Production levels are increasing in some plants, steady in others. Cheddar stocks are closely balanced in the East and some distributors continue to reach to the Midwest for their needs. Demand is fairly good. Most Thanksgiving orders have been shipped and should be in the stores by now. Retail sales have been fair with steady, good orders from the food service part of the market.

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

Cheddar 10# Prints	:	1.8600-2.3450
Cheddar Single Daisies	:	1.8300-2.3450
Cheddar 40# Block	:	1.9975-2.1450
Process 5# Loaf	:	2.0150-2.1675
Process 5# Sliced	:	2.0425-2.2275
Muenster	:	2.0375-2.3525
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady, at least for the short term. Traders continue to speculate when prices may start to weaken from current record high levels and when holiday orders will be filled. Lead times on orders have changed little on fresh varieties with some plants still fully committed for another 2 - 3 weeks. Current cheese offerings remain limited with some producers unwilling to take extra orders due to lack of milk or unwillingness to purchase spot milk supplies. Aged cheddar spot supplies are short. Barrels and other processing solids remain tight. Those firms storing cheddar for next fall are swallowing hard as prices push \$2.00 per pound entering into storage. Cheese yields continue to rebound to good seasonal levels, reflecting normal pattern increases in fat and protein levels on incoming milk supplies. Class I interest, both local and out of region, is stronger prior to the holiday, reducing milk volumes entering the vat at some plants. Deer hunting is expected to make the usual adjustments in plant operating schedules, at least at many smaller plants.

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

Process American 5# Loaf	:	1.9975-2.1500
Brick And/Or Muenster 5#	:	2.1200-2.3325
Cheddar 40# Block	:	1.9150-2.1400
Monterey Jack 10#	:	1.9150-2.3150
Blue 5#	:	2.4675-2.6800
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9150-2.2000
Grade A Swiss Cuts 6 - 9#	:	2.4500-2.6500

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	NOVEMBER 16 - 20, 1998
BARRELS*	:	\$1.8275 - 1.8475 (NOMINAL)
	:	(\$.0050) (.0050)
40# BLOCKS	:	\$1.8700 - 1.9100 (NOMINAL)
	:	(.0200)

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

WEST

Western cheese markets continue their slow run up in price that they have seen for the past couple of months. Some contacts were wondering if the major decline in butter prices on 11/13 might pressure cheese prices lower because of potential additional milk supplies. So far, this has not been the case. Cheese markets in general remain firm. Processors continue to struggle to find enough barrel cheese or other processing solids. Their sales activity remains very good. Current natural cheese also continues to clear very easily. Limited current blocks are available. Mozzarella cheese remains in short supply. Buyers are not able to find what they desire. Swiss sales range from fair to good seasonally. Many plants would be willing to process more milk if it were available.

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

Process 5# Loaf	:	1.9700-2.2375
Cheddar 40# Block	:	1.9600-2.1200
Cheddar 10# Cuts	:	2.1600-2.3800
Monterey Jack 10#	:	2.1800-2.3425
Grade A Swiss Cuts 6 - 9#	:	2.4000-2.5300

FOREIGN TYPE

Prices for domestically made styles are higher a gain this week. The market tone is unchanged. Demand for table cheeses is improving as Thanksgiving orders are being filled. The call for types and styles for further processing remains quite good.

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	: 2.1925-2.8025*
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.8875*
Parmesan (Italy)	: TFEWR	: 3.6025-3.6425*
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.8650-2.3925*
Romano (Cows Milk)	: -0-	: 3.3700-5.7075*
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-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

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

	BUTTER	CHEESE
	:	:
11/16/98	7,430	95,449
11/01/98	8,149	96,049
CHANGE	-719	-600
% CHANGE	-9	-1

FLUID MILK AND CREAM

E A S T

Northeastern Milk Market Administrators announce October 1998 uniform (blend) prices: Federal Order (F.O.) 1 is \$16.76; F.O. 2, \$16.47; F.O. 4, \$17.04; F.O. 36, \$16.54; and Western NY Milk Market Area, \$16.45. During October, milk production in the 20 major states totaled 11.1 billion pounds, up 1.3% from October 1997. The following are the October to October changes for selected states: Kentucky -9.1%, Florida -2.8%, Virginia -2.6%, Texas -1.8%, Pennsylvania +0.3%, Vermont +0.5%, and New York +1.9%. Milk production is increasing at a slower pace in the Southeast and remains at or near the low point of the annual cycle in much of the Northeast. Fluid milk supplies are still tight. In fact, handlers/bottlers in Florida and other Southeastern states increased imports this week to meet increased bottling schedules. Apparently, bottlers are processing more milk in anticipation of Thanksgiving needs. Florida handlers were scheduled to import 129 loads this week which compares 81 loads last week and 103 loads during the same week last year. Imports into other Southeastern state are approximately 40 - 50 loads. Surplus milk volumes are light in the Southeast, light to moderate in the Northeast. Contacts expect processing to increase sharply during the Thanksgiving weekend, but report having plenty of plant capacity to handle the holiday surge. The condensed skim market is unsettled. With the butter prices dropping as far as they have, many producers are having to increase condensed skim prices. Price increases are often quite substantial and users are showing more price resistance and starting to look at NDM as a less expensive source of solids. The fluid cream market is very weak and contacts are calling it extremely sloppy. Demand is limited and offerings are more than ample. Prices, following the butter market, are sharply lower. Multiples are very low. Some Class II and most Class III sales are being based on upcoming markets. Ice cream production is off as some plants are down this week and next. In the past couple weeks, two ice cream plants have closed their doors because of consolidations and/or other considerations. With this slower demand from ice cream plants, much more cream is available and looking for a home. Cream cheese output is steady to slower. Egg nog production and sales are typical for the pre-Thanksgiving week. Churning activity is increasing at most butter/powder plants.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	1.9250 - 2.1875
Delivered Equivalent Atlanta	-	1.9950 - 2.4125 M 2.0300 - 2.1350
F.O.B. Producing Plants: Upper Midwest	-	1.9250 - 2.2750

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	.9500 - 1.1500
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
NOVEMBER 13 - 19, 1998	37
PREVIOUS WEEK	14
COMPARABLE WEEK IN 1997	4

DESTINATIONS: FLORIDA 12, KENTUCKY 16, MISSOURI 6, TENNESSEE 3

Class I and II demand is sharply improved, bolstered by retail feature activity and holiday item (egg nog) production. Exports to the Southeast from various upper Midwestern states were sharply increased. Besides the shipments in the total, 5 Wisconsin loads were sent to Ohio. Another 21 loads of Wisconsin milk are "direct shipped" to Tennessee and 14 loads to Missouri and pooled under a Southern Federal Order, much like the past couple of weeks. Class I premiums range from \$2.25 - 4.25 over class. Milk supplies were very tight. Handlers and plant operators were making some plans to handle extra milk supplies backed up from bottlers next week during the holiday period. Many cheese plant operators are reluctant to purchase outside milk at current prices since no one wants any uncommitted inventory whenever prices start to fall.

Cream prices are sharply lower following last week's (November 13) sharp decline (38 cents) in the cash butter price at the Chicago Mercantile Exchange. Many cream users are reluctant to make spot purchases due to continued nervousness about the potential for additional butter price declines. However, cream cheese production is seasonally active. Milk receipts are showing scattered signs of starting to increase seasonally, but in the upper tier of Midwestern states, the trend does not become consistent until after the deer hunting/Thanksgiving holiday period. October milk production in selected Midwestern states compared with October 1997 is: Wisconsin 1.885 billion pounds, up 53 million pounds (2.9%); Minnesota 739 million pounds, an increase of 14 million pounds (1.9%); Michigan 447 million pounds, up 3 million pounds (0.7%), and Iowa 322 million pounds, down 10 million pounds (3.0%).

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	NOV 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 28.00- 33.25	\$ 30.00- 36.00
REPLACEMENT HEIFER CALVES	\$180.00-230.00	\$115.00-135.00

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

	NOV 12 - 18	PREVIOUS YEAR
SLAUGHTER COWS	\$ 28.00- 36.75	\$ 30.00- 35.00

W E S T

Milk production in the 20 surveyed states for October totals 11.1 billion pounds, up 1.3% from last year. This is the largest monthly increase in five months. October output for selected Western states compared to last year is as follows: Arizona up 6.9%, California down 0.3%, Idaho up 8.5%, New Mexico up 10.7%, and Washington up 3.2%. California output has been negative seven of the ten months so far this year. California output per cow is down 4.0% while the U.S. is up 1.4% and Wisconsin is up 4.5%. Milk production is falling into seasonal trends in most areas of the Southwest. Increases in output have slowed, but contacts in California are noting that levels are generally above last year at this time. The trends in New Mexico and Arizona are higher and levels are currently well above last year. Feed is available and reasonably priced. Good quality, dairy hay is not as readily available as some producer would like. Cheese plants are receiving more milk as processors try to both fill cheese orders and take advantage of higher cheese prices. The weaker butter market and flat NDM market are signaling processors to shift more milk into cheese. Fluid milk needs are expected to be steady during the upcoming holiday week, but the mix is expected to switch from schools to home needs. Cream continues to be in excess. Despite lowering multiples and offering price protection, cream is very hard to move. Very little cream is leaving the region. Butter churning is increasing to handle the additional volumes. Holiday cream-based items are shipping this week to fill stores for a typical heavy holiday shopping weekend. Conditions remain excellent for milk production this fall in the Pacific Northwest. Temperatures are seasonally warm and moisture is generally below normal. Some mud is noted, but it is not causing any real problems. The fat and solids content on incoming milk receipts is increasing nicely. Tests have generally lagged behind normal levels through the summer, but they are rebounding to normal levels now. Manufacturing plants are very grateful for the better yields that are common now. Hay volumes available this winter are very adequate, but quality remains a concern. California hay buyers have been very active recently in Oregon and Washington buying dairy quality hay. They have now absorbed much of the free stocks available. Many contacts in the Utah and Idaho region see that milk production is in close balance with needs. Extra loads of milk are hard to find for those who are looking for them. Yields are increasing seasonally. The heifer market in the region is not quite as strong as it was a few weeks ago. Some buyers have decided there really is an economic top end to prices and above that level it makes no sense to make the purchase.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 11/19/98 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 this week as contacts note difficulty finding NDM from producers in most regions of the country. The market tone is quite firm. Production levels are light to moderate. Many dryers are trying to get caught up with existing orders. Some producers have not dried for several weeks, but they do expect surplus milk volumes to increase in the coming weeks. Producer stocks are tight and many resellers also report limited inventories. More users are buying back from CCC and powder is clearing easily under current market conditions.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.1000 - 1.1525 MOSTLY: 1.1200 - 1.1400

DRY BUTTERMILK - CENTRAL

Prices are unchanged, but there are some signs of weakness in the market. Offerings are up at a few plants; steady at others. As noted a couple weeks ago, some buttermilk powder with age on it is being offered below 90 cents, f.o.b. and attracting little or no interest. Production is steady to heavier now that churning is starting to increase at more plants. Demand is seldom better than fair.

BUTTERMILK: .9500 - 1.0700

DRY WHEY - CENTRAL

Prices are often higher, but the market tone is steady. Contacts report that Extra Grade whey is harder to find and some producers have adjusted their prices higher. However, demand is not strong enough to force prices to move much more. Production levels are steady to heavier as a little more milk is available to cheese makers. More milk is expected over the Thanksgiving weekend and on through the year end holidays. Demand for dry whey is not real aggressive. Although, some plants that have been experiencing dryer problems have been looking for whey to fill contracts. Demand from the animal feed side of the market is very slow and possibly having some impact on the Extra Grade market.

NONHYGROSCOPIC: .2400 - .2600 MOSTLY: .2450 - .2500

ANIMAL FEED WHEY - CENTRAL

Prices are steady to lower. Under the pressure of growing stocks and slow demand, prices for milk replacer and standard whey are generally lower. Roller ground and delactose stocks are in better balance with prices unchanged. Lower prices are doing little to stimulate interest. The continued depressed hog market is often cited as the reason for the slow demand for animal feed whey.

MILK REPLACER: .1800 - .2100
STANDARD: .1600 - .1800
ROLLER GROUND: .2525 - .2625
DELACTOSE (Min. 20% protein): .3275 - .3600

LACTOSE - CENTRAL AND WEST

Prices are unchanged to lower and the market tone is steady. Production levels are steady. Producer inventories range from light to fully adequate. Some contacts note a good market and they are easily clearing their output. Others, however, have fewer contracts and growing stocks. Demand is fair. Some exporters note that continued financial problems in the Far East have not hurt sales to date, but many expect a slower first quarter. Others seem to be taking the opposite position and think that the first quarter sales will be steady.

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

EDIBLE: .1400 - .2350 MOSTLY: .1700 - .1800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower and the market tone is a little weaker. Producer offerings range from sold out to heavier than desired and production levels are steady to heavier. Spot sellers report a soft market and that WPC is a hard sell. Those producers with contracts to fill are easily clearing their output but do note that any extra loads do move slowly.

EXTRA GRADE 34% PROTEIN: .5400 - .6225 MOSTLY: .6000 - .6100

NONFAT DRY MILK - WEST

Prices for low/medium heat NDM are holding steady. The market tone is unsettled with some firm tones noted. Demand for powder is fair to good for current plant offerings. Several producers continue to be short of powder for all needs. Some are filling past DEIP orders and have little NDM available for spot needs. Demand remains fair. Buyers are not finding all their need from plants, but resellers, end users, and CCC sellback, have NDM to supplement most current needs. There are concerns about shortages of powder in 50 pound bags. NDM production is trending higher in some areas, but milk and condensed skim are moving to cheese plants to take advantage of better returns and to extend cheese yields. High heat prices are slightly higher on the bottom end of the range. Demand for high heat is good and offerings are short of current needs. During the week of November 6 - 12, 2.4 million pounds were sold back from CCC stocks.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0600 - 1.1600 MOSTLY: 1.1100 - 1.1300
HIGH HEAT: 1.1300 - 1.1750

DRY BUTTERMILK - WEST

Prices are unchanged, but the market tone is weakening. More buttermilk is available as churning schedules increase in the region. In addition, buyers in other regions are filling needs locally. The inability to move buttermilk at current prices has some producers poised to lower prices or accept lower bids. Seasonal demand has been slow to develop. Spot orders are minimal. Stocks are increasing at many plants and held with more caution.

BUTTERMILK: .9800 - 1.0200 MOSTLY: .9800 - .9900

DRY WHEY - WEST

Range and mostly prices held steady for Western whey powder. A few offers were noted at slightly lower prices than last week. A major issue in the West seems to be the amount of powder that is now being downgraded and sold as animal feed whey. Discounting is not very heavy on this powder. Some producers have moderate to heavy stocks of this type of product. Extra grade remains closely balanced with no stock building. Export sales are continuing at steady levels. Domestic buyers are taking their normal contracted volumes. Production is seasonally steady.

NONHYGROSCOPIC: .2300 - .2750 MOSTLY: .2400 - .2425

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended November 13, on powder sales of 7,082,081 pounds f.o.b. California manufacturing plants was \$1.0775 per pound. This compares to 7,580,482 pounds at \$1.0811 for the previous week ending November 6, 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 mostly unchanged and nominal. The market tone is quite firm. Contacts report little or no availability from Eastern producers. Resellers also note that powder is hard to find and more are buying back from CCC to supplement local shortages. Production levels are lighter this week as some plants have increased milk shipments to the Southeast. Those plants that are drying are trying to catch up with existing contracts/orders. Dryers do expect increased volumes of surplus milk over the next week, but much of the anticipated output is already earmarked for existing sales. Demand is mostly steady. Some improved demand from cheese makers has been noted.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.1000 - 1.1700

HIGH HEAT: 1.1300 - 1.1900 MOSTLY: 1.1400 - 1.1500

DELVD SOUTHEAST:

ALL HEATS: 1.1300 - 1.1900

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady. The market tone is generally steady, but production levels are starting to increase as churning increases and the call for condensed buttermilk eases seasonally. Producers continue to report closely balanced stocks, but traders do note moderate to heavier offerings from other regions of the country. Demand is seldom better than fair.

F.O.B. NORTHEAST: .9800 - 1.0000

DELVD SOUTHEAST: 1.0200 - 1.0800

DRY WHOLE MILK - NATIONAL

Prices are mixed. There was some increase because of the jump in milk prices, but the falling butter/butterfat market is offsetting the milk price increase and in more cases causing dry whole milk prices to fall. Production levels are slowing due to lower volumes of surplus milk and the seasonal slowing of demand by some bakers and confectioners. Producer stocks are well balanced with needs.

F.O.B. PRODUCING PLANT: 1.5800 - 1.7000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH NOVEMBER 13, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 35,518 MT (78,302,982 LBS)
CHANGE -- 173 MT (381,396 LBS)

WHOLE MILK POWDER -- 2,080 MT (4,585,568 LBS)

CHEESE -- 1,921 MT (4,235,037 LBS)
CHANGE -- 246 MT (542,332 LBS)

BUTTERFAT -- 0 MT

REALLOCATED NDM -- 16,357 MT (36,060,642 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 steady to higher, but the market tone is mostly unchanged. Production levels are steady to a bit lighter this week and the call for milk improved. Buyers report that is difficult to find Extra Grade or Grade A whey at both the producer and resale levels of the market. However, demand is slow enough to keep prices from jumping. Producers report steady movement. Many have contracts that are clearing a large percentage of their output, but any spot offerings do clear easily.

F.O.B. NORTHEAST: EXTRA GRAD .2450 - .2500

USPH GRADE .2500 - .2625

DELVD SOUTHEAST: .2600 - .2750

ANIMAL FEED WHEY - NORTHEAST

Prices are still too few to report. The market tone is weak. Offerings of animal feed whey are more than ample and growing. Demand remains sluggish. Because of the low market prices for hogs and other animals, feed makers are reformulating some of their products to find a lower cost, good quality feed to use. This is often reducing the use of whey.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are light to moderate. With milk prices so high, producers are reluctant to make too much at this time. Sales are seasonally fair to good and often filled from inventory.

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 prices are generally steady, although the market tone remains weak. Buyers and handlers are stating that supplies are readily available for current and projected future needs. Production in supplying countries has been and continues to be positive, thus U.S. importers do not foresee supply problems as the new year approaches. Conversations continue to include the introduction of casein as an ingredient in domestic cheese production. In light of this possibility, current casein users question what this might do to availability and prices.

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

RENNET: 2.0000 - 2.1000

ACID: 1.9500 - 2.0500

OCTOBER MILK PRODUCTION

Milk production in the 20 major states during October totaled 11.1 billion pounds, 1.3 percent above production in these same states in October 1997. September revised production, at 10.7 billion pounds was 0.3 percent above September 1997.

Production per cow in the 20 major states averaged 1,436 pounds for October, 20 pounds above October 1997.

The number of cows on farms in the 20 major states was 7.75 million head, down 3,000 head from October 1997 and down 2,000 from September 1998.

OCTOBER 1998 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	1997	1998	1997	1998	1997	1998	% CHANGE FROM 1997
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	130	132	1,550	1,635	202	216	6.9
CA	1,339	1,390	1,755	1,685	2,350	2,342	-0.3
FL	159	159	1,105	1,075	176	171	-2.8
ID	279	297	1,610	1,640	449	487	8.5
IL	146	139	1,280	1,310	187	182	-2.7
IN	140	141	1,310	1,290	183	182	-0.5
IA	242	240	1,370	1,340	332	322	-3.0
KY	143	132	1,000	985	143	130	-9.1
MI	303	298	1,465	1,500	444	447	0.7
MN	575	560	1,260	1,320	725	739	1.9
MO	166	162	1,110	1,160	184	188	2.2
NM	205	219	1,640	1,700	336	372	10.7
NY	699	702	1,350	1,370	944	962	1.9
OH	276	268	1,290	1,340	356	359	0.8
PA	640	633	1,395	1,415	893	896	0.3
TX	381	369	1,150	1,165	438	430	-1.8
VT	158	160	1,355	1,345	214	215	0.5
VA	120	120	1,280	1,250	154	150	-2.6
WA	261	260	1,665	1,725	435	449	3.2
WI	1,388	1,366	1,320	1,380	1,832	1,885	2.9
²⁰ STATE TOTAL	7,750	7,747	1,416	1,436	10,977	11,124	1.3

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (11-98), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

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

In August 1998, mailbox milk prices reported for selected Federal milk orders averaged \$15.04 per cwt., \$1.28 more than the figure for the previous month. On a regional basis, the average prices and changes from the previous month were: Northeast, \$14.75, up \$1.35; Southeast, \$15.75, up \$1.94; Midwest, \$15.20, up \$1.04 and West, \$14.59, up \$1.44. Compared to August 1997, mailbox milk prices increased \$2.77 per cwt. on the average. Regional changes from the previous year were: +\$2.46 in the Northeast, +\$2.57 in the Southeast, +\$2.85 in the Midwest, and +\$2.96 in the West.

Federal milk order <u>1/</u>	Mailbox Milk Price <u>2/</u>		
	August 1997	July 1998	August 1998
	<u>Dollars per hundredweight</u>		
New England	13.04	14.08	14.68
New York-New Jersey	12.04	13.30	14.73
Middle Atlantic	12.03	12.94	14.87
Northeast Average <u>3/</u>	12.29	13.40	14.75
Carolina	13.11	13.49	15.21
Tennessee Valley	12.59	---	---
Southeast	12.47	13.06	15.03
Florida <u>4/</u>	15.06	15.51	17.83
Southeast Average <u>3/</u>	13.18	13.81	15.75
Southern Michigan	12.07	12.96	14.47
Eastern Ohio-Western Pa.	12.00	12.93	14.71
Ohio Valley	11.88	12.43	14.52
Indiana	11.92	12.37	14.47
Chicago Regional <u>5/</u>	12.89	15.06	15.68
S. Illinois-E. Missouri	11.81	12.00	14.26
Louis.-Lex.-Evans.	12.10	12.38	14.52
Upper Midwest <u>5/</u>	12.64	14.76	15.31
Nebraska-Western Iowa	12.14	13.10	14.71
Iowa	12.29	14.17	15.19
Midwest Average <u>3/</u>	12.35	14.16	15.20
Texas	11.91	12.83	14.81
Southwest Plains	11.51	12.39	14.17
Eastern Colorado	11.80	12.59	14.44
S.W. Idaho-E. Oregon	11.70	13.14	14.19
Great Basin	11.27	12.86	13.86
New Mexico-West Texas	11.17	12.57	14.02
Pacific Northwest	11.69	13.87	14.92
West Average <u>3/</u>	11.63	13.15	14.59
All-Market Average <u>3/</u>	12.27	13.76	15.04

1/ Federal milk orders for which information could be released. 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/ Weighted average of the information for the orders listed in the region or for all selected orders combined. 4/ Weighted average of the information for the Upper Florida, Tampa Bay, and Southeastern Florida orders. 5/ Includes payments for milk that, while normally associated with the market, was not pooled due to disadvantageous price relationships.

SEPTEMBER FLUID MILK SALES HIGHLIGHTS

During September, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.4 percent below the previous year and 4.8 percent below August 1998 on an adjusted daily average basis. Sales of whole milk items were 0.1 percent below the previous year; sales of fat-reduced milk items were 0.7 percent below the previous year. Total fluid milk sales were higher in the Midwest and Southwest, and lower in all the other regions.

SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, FAT-REDUCED MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, SEPTEMBER 1998, WITH COMPARISONS 1/

Region 4/	Whole Milk Items 2/				Fat-reduced Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	Sept	Year to date	Prev. year 5/	Year to date 5/	Sept	Year to date	Prev. year 5/	Year to date 5/	Sept	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	338	3,033	-2.0	-2.1	460	4,023	-0.5	-0.2	798	7,057	-1.1	-1.0
Southeastern	324	2,967	-1.0	-1.8	439	3,913	-2.0	0.3	763	6,880	-1.5	-0.6
Midwest	266	2,339	4.2	1.2	950	8,268	0.3	-0.6	1,216	10,606	1.2	-0.2
Southwest	168	1,508	2.1	0.4	213	1,830	1.0	0.4	382	3,338	1.5	0.4
Far West	336	2,979	-1.5	-0.8	686	6,001	-2.0	-1.3	1,022	8,980	-1.8	-1.1
All Areas Combined	1,432	12,826	-0.1	-0.8	2,749	24,035	-0.7	-0.5	4,181	36,861	-0.4	-0.6

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/ Fat-reduced milk items include plain, solids added, flavored, and miscellaneous reduced fat, low fat, and fat-free 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 INDIVIDUAL WHOLE MILK PRODUCTS AND FAT-REDUCED MILK PRODUCTS IN ALL MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, AUGUST 1998, WITH COMPARISONS 1/

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole Milk 2/	1,449	-1.0	-0.9
Reduced Fat Milk (2%)	1,303	-2.1	-2.5
Low Fat Milk (1%) 3/	569	4.5	2.5
Fat-Free Milk (Skim)	697	-0.0	1.0
Buttermilk	47	-1.5	-1.4
Total Fluid Milk Products 4/	4,081	-0.4	-0.6

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 fat-reduced milk.

4/ Includes miscellaneous products.

THE DAIRY SITUATION AND OUTLOOK*

Tight Dairy Market to Persist. Robust demand and stagnant milk production produced record prices for milk and most dairy products during the summer and autumn and sustained high prices into November. Much larger imports of butter and modest seasonal weakening in butter markets lowered autumn prices to well below the September peak, but cheese prices continued to edge higher through mid-November. The Basic Formula Price (BFP) will peak well above \$16 per cwt in November, probably at least \$1 higher than the previous record of September 1996. Steep price declines are expected to begin within a few weeks, once demand for the year-end holidays is met. Milk production is expected to begin increasing in response to recent high prices, while commercial use also starts to feel their full brunt. Even so, 1999 prices are projected to stay much higher than those of most of the nineties.

Dairy Demand Dominant. Continued economic growth and consumer willingness to spend generated brisk demand for dairy products during spring and summer. Use, even at high and rapidly rising prices, was strong enough to prevent pipeline holdings from reaching heavy levels and forestalled price drops. Sales during April-September rose almost 3 percent from a year earlier on a milk equivalent, milkfat basis and almost 2 percent on a skim solids basis. Demand is expected to remain fairly strong in 1999 but will be weakened by delayed response to the price levels of 1998. Domestic economic growth is projected to continue, although troubles in other economies will be worrisome. Commercial use of milkfat is projected to rise about 1 percent in 1999, with skim solids sales rising about 2 percent. However, the true measure of next year's demand will be the price levels needed to bring about these increases in use.

Milk Production Not Responding. Failure to respond quickly to very strong expansion stimuli was the main story told by summer milk production data. July-September milk per cow was just barely above a year earlier, despite a milk-feed price ratio above 2.0 for the first time ever. Similarly, sharply higher returns slowed declines in milk cow numbers--but only slightly. Recent output patterns probably do not mean significant expansion in milk output will not occur, but they may imply only slowly accelerating growth during 1999. The strong incentive to boost milk production is not likely to be resisted for too long. Milk cow numbers are expected to run just slightly below a year earlier during the rest of 1998 and 1999. If expanding producers start devoting recent returns to accelerated growth, cow numbers would run stronger than projected and could be close to a year earlier by the second half of 1999. The concentrate ration value is expected to fall an average of about a tenth in 1999 and will be down about a fourth from the 1996 peak. The milk-feed price ratio is projected to average above 2.0, unprecedented incentive to boost concentrate feeding and milk per cow. Milk per cow is expected to be growing strongly by late 1999 but recovery may develop gradually. Milk production in 1998 is projected to rise less than 1 billion pounds, the result of a fractional decline in milk cow numbers and an increase in milk per cow of just more than 1 percent. Output in 1999 is expected to rise 1.5 to 2.0 percent, with second-half increases well over 2 percent. Growth in milk per cow probably will be considerably more than 2 percent for the year, starting the year below 2 percent before rising to about 3 percent in the second half. The decline in milk cow numbers is projected to be about the same as in 1998.

Dairy Prices To Tumble. Cheese prices probably will decline rapidly once they start falling. Expansion in milk output is expected to easily overtake commercial use at the high retail prices of late 1998-early 1999. Wholesale prices may drop 35 to 40 cents per pound by late winter, with much more modest seasonal erosion continuing into spring. However, the steepness and ultimate size of the declines will hinge on how quickly milk production catches up with use. The seasonal increase in prices during the second half will be fairly modest if production grows as briskly as expected. The BFP will follow cheese prices downward to a flush season low expected to be \$11.25 to 11.75 per cwt. For the year, manufacturing values are projected to fall \$1.25 to 1.75 from the record 1998 average of about \$14 per cwt. The average price of all milk will decline somewhat less because of the effects of late 1998 manufacturing values on early 1999 prices of milk for fluid use. The 1999 average price of milk is expected to stay above \$14 per cwt, down from about \$15.30 in 1998 but still the third highest recorded. Retail prices may well continue to rise into winter, as autumn wholesale prices are more fully reflected. Prices at retail are expected to decline slowly during the remainder of 1999. The farm-retail price spread is likely to expand substantially after the 1998 decline. For 1999, retail dairy prices are projected to increase 2 to 4 percent, even though they may post declines by the end of the year.

Editors Note. In response to requests for increased frequency of market analysis information, the Livestock, Dairy, and Poultry Situation and Outlook Report will be electronically released monthly, starting December 28, 1998. The report will only be available on the World Wide Web (<http://www.econ.ag.gov/Prodsrvs/rept-ldp.htm/> and click on Livestock, Dairy and Poultry Situation and Outlook Report) in adobe acrobat format (PDF files) or from the ERS autofax (202-694-5700 document #11515 for text and tables, #11511 for tables only). The analytical content of each issue may vary. Six issues will have heavy analytical content. The remaining six issues will contain at least the regular tables with the latest available information with some possible light analytical content.

* This summary was developed by the Market Information Branch, Agricultural Marketing Service, USDA, Washington, D.C.

Source: "Livestock, Dairy, and Poultry Monthly", LDP-54, November 17, 1998, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL HIGHLIGHTS

FEDERAL MILK ORDER MARKET SUMMARY FOR OCTOBER 1998. During October, about 7.6 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have been pooled under Federal milk orders were not pooled in October 1998 and 1997, the following comparisons involving producer deliveries have been estimated.) Producer deliveries were about 1.7 percent more than October 1997, and about 0.1 percent less than September 1998 on a daily average basis. Milk utilized in Class I products in October was 1.7 percent less than last year on an adjusted basis. Class I use this year represented 53 percent of producer milk deliveries compared to 48 percent in October 1997. The average blend price was \$16.89 per cwt., \$3.12 more than last year. Changes in class prices from year-earlier levels were as follows: Class I, up \$2.92; Class II, up \$2.92; Class III, up \$3.21; and Class III-A, up \$4.64.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF OCTOBER 1998										
FEDERAL MILK ORDER MARKETING AREAS ^{1/}	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE ^{2/}		BUTTER-FAT DIFF. ^{3/}
		1998 TOTAL	CHANGE FROM 1997	1998 TOTAL	CHANGE FROM 1997	1998	1997	1998	1997	1998
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
New England (Boston)	1	479.1	5.8	241.6	4.7	50	51	17.48	14.32	27.3
New York/New Jersey (NY City)	2	958.7	-2.5	434.6	1.7	45	43	17.19	14.09	27.3
Middle Atlantic (Philadelphia-Baltimore/Washington, D.C.)	4	492.8	1.5	248.6	-4.1	50	53	17.04	14.10	---
NORTHEAST REGION		1,930.6	0.4	924.8	0.8	48	48	17.22	14.15	27.3
Carolina (Charlotte)	5	249.9	6.5	208.4	1.6	83	87	17.68	14.81	27.3
Southeast (Atlanta/Birmingham)	7	477.2	-7.0	409.1	-4.1	86	83	17.82	14.78	27.3
Florida Markets (Tampa /Jacksonville/ Tallahassee/Miami)	12 ^{4/}	204.9	-6.0	189.7	-3.9	93	91	18.60	15.55	27.3
SOUTHEASTERN REGION	<u>5/</u>	204.9	-6.0	189.7	-3.9	93	91	18.60	15.55	27.3
Michigan Upper Peninsula (Marquette)	44	5.6	4.4	4.5	-6.3	80	89	16.21	13.17	27.3
Southern Michigan (Detroit)	40	361.1	1.8	198.3	2.5	55	55	16.27	13.32	---
E. Ohio/W. PA (Cleveland/Pittsburgh)	36	264.1	0.7	157.2	4.4	60	57	16.54	13.50	---
Ohio Valley (Columbus)	33	245.5	-1.1	145.1	0.3	59	58	16.50	13.50	---
Indiana (Indianapolis)	49	141.3	-8.3	98.0	-9.2	69	70	16.53	13.54	---
Chicago Regional	30*	607.4	-29.2	233.9	-12.8	39	31	15.97	13.09	---
Central Illinois (Peoria)	50	18.8	23.7	15.5	17.6	82	87	16.48	13.62	27.3
S. Illinois-E. Missouri (Alton)	32	136.7	1.9	89.6	0.6	66	66	16.47	13.52	27.3
Louisville-Lexington-Evansville	46	103.0	-6.9	84.1	-4.7	82	80	16.82	13.85	27.3
Upper Midwest (Minneapolis)	68*	343.5	-56.9	156.8	5.1	46	19	16.14	12.94	---
Iowa (Des Moines)	79* ^{6/}	198.2	13.9	95.4	---	48	---	16.31	13.23	---
Nebraska/W. Iowa (Omaha/Sioux City)	65*	122.4	0.9	52.6	-3.4	43	45	16.30	13.32	---
Greater Kansas City/E. S. Dakota	64 ^{6/ 7/}	48.2	22.0	---	---	---	---	16.86	13.94	27.3
MIDWEST REGION	<u>5/</u>	2,246.4	-23.9	1,151.6	-2.1	51	40	16.26	13.20	27.3

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF OCTOBER 1998										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1998 TOTAL	CHANGE FROM 1997	1998 TOTAL	CHANGE FROM 1997	1998	1997	1998	1997	1998
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
Southwest Plains (Oklahoma City)	106	251.2	-4.3	139.3	4.9	55	51	17.04	13.95	27.3
Texas (Dallas)	126	494.3	-4.5	282.1	-2.5	57	56	17.29	14.21	27.3
SOUTHWEST REGION		745.5	-4.4	421.4	-0.2	57	54	17.21	14.12	27.3
E. Colorado/W. Colorado (Denver)	137 <u>7/</u>	139.5	-4.8	74.4	2.4	53	50	16.84	13.80	27.3
SW. Idaho/E. Oregon (Boise)	135*	142.5	37.7	16.2	-3.7	11	16	16.09	12.94	---
Great Basin (Salt Lake City)	139	188.9	-5.8	82.1	0.1	43	41	16.42	13.34	---
Central Arizona (Phoenix)	131	209.7	7.0	87.8	-3.3	42	46	16.86	13.67	27.3
New Mexico-West Texas (Albuquerque)	138	137.2	3.7	56.1	-2.8	41	44	16.63	13.56	27.3
Pacific Northwest (Seattle/Portland)	124	558.7	3.5	187.7	-2.2	34	36	16.77	13.37	---
FAR WEST REGION		1,376.7	4.4	504.4	-1.5	37	39	16.66	13.44	27.3
COMP MKT. AVERAGE OR TOTAL	<u>5/</u>	6,504.1*	-9.5*	3,191.9	-1.0	49	45	16.81	13.67	27.3
ALL-MKT. AVERAGE OR TOTAL	<u>6/ 8/</u>	7,580.5*	-8.2*	3,988.9	1.1	53	48	16.89	13.77	27.3
YEAR-TO-DATE AVG./TOTAL										
Northeast Region		20,107.6*	1.3*	8,529.7	0.2	42	43			
Southeastern Region	<u>5/</u>	2,339.9	-3.5	2,032.7	-0.6	87	84			
Midwest Region	<u>5/</u>	30,060.3*	-4.1*	10,677.6	-0.4	36	34			
Southwest Region		7,470.5*	-6.3*	3,875.5	-2.8	52	50			
Far West Region		13,645.2*	-6.6*	4,701.9	-0.8	34	32			
COMP MARKET AVERAGE OF TOTAL	<u>5/</u>	73,623.5*	-3.4*	29,817.4	-0.6	40	39	14.40	12.77	----
ALL MARKET AVERAGE OR TOTAL	<u>6/ 8/</u>	84,906.3*	-3.3*	37,356.6	-0.9	44	43	14.50	12.88	----

* Because of certain pricing situations in these markets, handlers elected not to pool an estimated 1.7 billion and 900 million pounds of milk in October 1998 and 1997, respectively, that normally would have been pooled under these orders. The total estimated amount not pooled for this reason through the month of October are: for 1998, 11.4 billion pounds; and for 1997, 7.4 billion pounds. If these volumes had been pooled, the following percent changes in producer deliveries would have resulted: for October, Midwest region +2.4; Far West region +5.2, comparable market average +1.6, and all market average +1.7. Year to date, Northeast region +1.7, Midwest region +0.6, Southwest region -2.3, Far West region +5.1, comparable market average +1.3, and all-market average +1.1. 1/ Names in parentheses are principal cities and pricing points of markets. 2/ Prices are for 100 pounds of milk with a butterfat content of 3.5%. 3/ Amount by which the blend price is adjusted for each .1% that the butterfat content of a producer's milk varies from 3.5%. For example, if the butterfat content of the milk that a producer delivers to a regulated handler located in Boston (New England's market) is 4.0%, then the producer's blend price would be \$18.85. (4.0 minus 3.5 equals .5; 5 times \$.273 equals \$1.365; \$17.48 plus \$1.365 equals \$18.845.) 4/ Pool data are either a summation or weighted average of the Tampa Bay, Upper Florida, and Southeastern Florida marketing areas. The blend prices are for the Tampa Bay market. Blend prices for other markets are: Upper Florida: 1998, \$18.44; 1997, \$15.45; and Southeastern Florida: 1998, \$18.95; and 1997, \$16.03. 5/ Figures are based on the same group of comparable markets--markets where orders were in effect the entire period 1997-98 and for which the data were not affected significantly by marketing area changes. Data for Iowa and Greater Kansas City/Eastern South Dakota are no longer comparable; some of the data during this period could not be released without revealing individual business operations. Due to the termination of the Tennessee Valley order, the data for Carolina, Southeast, and Louisville-Lexington-Evansville are no longer comparable and were excluded, where applicable. Most of the milk that would have been pooled under the terminated order was pooled under these three orders. 6/ Class I receipt and utilization data for the Iowa and Greater Kansas City/Eastern South Dakota areas are excluded from all-market figures; see 5/. 7/ Figures represent a combination of data for the indicated markets except for the producer blend prices which are for the first market listed. Blend prices for other markets are: Eastern South Dakota: 1998, \$16.28; 1997, \$13.36 and Western Colorado: 1998, \$16.85; 1997, \$13.88. 8/ The data for 1997 includes the Tennessee Valley marketing area; see 5/.

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF NOVEMBER 16 - 20, 1998				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD	
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/98	LAST YEAR	11/13/98	LAST YEAR	
BUTTER								
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
CHEESE								
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
NONFAT DRY MILK								
Nonfortified	-0-	-0-	-0-	103,384	1,302,822	32,248,000	-0-	
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	103,384	1,302,822	32,248,000	-0-	

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

	MILKFAT* BASIS	SKIM** SOLIDS	COMPARABLE WEEK IN 1997 =	MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF NOVEMBER 16 - 20, 1998 =	0.0	0.0		0.2	10.4
CUMULATIVE SINCE OCTOBER 1, 1998 =	0.0	1.2	CUMULATIVE SAME PERIOD LAST YEAR =	0.3	15.2
CUMULATIVE JANUARY 1 - NOVEMBER 20, 1998 =	25.0	1,321.4	COMPARABLE CALENDAR YEAR 1997 =	24.9	405.6

* 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

REGION	CCC ADJUSTED PURCHASES SINCE 10/1/98 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL			
	BUTTER	CHEESE	NONFAT DRY MILK	MILK EQUIVALENT
1998/99	1997/98	1998/99	1997/98	1998/99
MIDWEST	-0-	-0-	-0-	0.0
WEST	-0-	-0-	-0-	103,384
EAST	-0-	-0-	-0-	1,192,647
TOTAL	-0-	-0-	-0-	100.0

SELBACK TO THE TRADE NONFAT DRY MILK (POUNDS) MILK EQUIVALENT - MILKFAT BASIS* - MILLION POUNDS

WEEK OF NOV. 13 - 19, 1998	2,230,439	0.5
CUMULATIVE SINCE 10/1/98	12,593,911	2.8

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 10/31/98 & 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)	0.2	1.5	6.7	6.5	20.4	2.6	3.3	0.7	9.7	2.7	54.4	2,215.7	41.3	45.2
1997-Dairy cows HD (000)	0.3	2.0	8.2	6.4	27.0	2.8	3.4	0.9	9.5	2.4	62.8	2,433.8	42.8	45.7
1998-All cows HD (000)	0.3	1.6	9.2	18.8	29.1	23.0	22.4	5.4	13.4	8.8	131.8	4,904.8		
1997-All cows HD (000)	0.4	2.0	11.2	18.6	37.9	23.8	20.3	11.1	13.3	8.3	146.9	5,319.9		

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 PURCHASES 11/19

JANUARY SHIPMENT	
PROCESS	
2# LOAF	237,600 \$2.2595-2.3145
5# LOAF	1,306,800 \$2.0513-2.1795
SLICED	2,415,600 \$2.1630-2.2531
MOZZARELLA	
LMPS	927,360 \$1.8900-2.0000
LITE, SHREDDED	604,800 \$2.0510-2.0820
LITE	80,640 \$1.9810
CHEDDAR	
CUTS	119,850 \$2.2300
SHREDDED	38,400 \$2.1300
BARRELS	120,000 \$1.9100
REDUCED FAT CUTS	79,900 \$2.3900
REDUCED FAT SHREDDED	115,200 \$2.3667

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/98 = 21,727,771

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	14.99	15.10	16.04		