

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (12/30):**

BUTTER: Grade AA closed at \$1.4300 (-.0400).

CHEESE: Barrels closed at \$1.7975 and blocks at \$1.9000. The weekly average for barrels is \$1.7992 (-.0008) and blocks is \$1.9000 (N.C.).

NONFAT DRY MILK: Extra Grade closed at \$1.1050 and Grade A at \$1.1525. The weekly average for Extra Grade is \$1.1050 (-.0175) and Grade A is \$1.1525 (N.C.).

BUTTER: Buying interest and shipments of butter remain quite strong this week as many buyers continue to try and catch up with previously placed orders that were not filled. Most butter/powder plants were receiving heavy volumes of surplus milk during the Christmas holiday weekend and early this week. Also, there were heavy volumes of excess cream being offered to local and out-of-region churning facilities at distressed prices. In many instances, stocks are low enough that buyers and sellers are still operating on short inventories

CHEESE: The cheese market is steady to weak. Most producers/traders are trying to limit price decline exposure by selling spot loads on the Chicago Mercantile Exchange or regular cash markets. However, many other producers are building inventories due to slower movement during the holidays. Current movement is again quiet due to reduced operating schedules at processors and packagers. Early orders for next week seem to be at fairly good levels. Cheese production is seasonally very heavy due to increased patron (local) milk receipts and extra fluid backed up from bottlers, particularly those with school accounts.

FLUID MILK: Milk production is increasing in more areas of the country and milk supplies are excessive. Late last week, two severe storms hit parts of the country. An ice storm covered a large portion on the Southeast and Middle Atlantic area. Power was and, in some instances, is still out because of downed power lines. Some farm milk was lost, but volumes are

not yet known. In the Pacific Northwest, rain, snow, and flooding have caused power outages and road closures. Handlers are having a difficult time getting to the farms to pick up the milk plus delivering finished products. Pre-storm weather predictions did cause some panic buying of milk and other food staples which did clear some milk through Class I channels which eased the pressure on manufacturing plants. During this holiday period, surplus milk volumes are very heavy and a lot of milk is looking for a home. It is not uncommon for milk to be delivered great distances at \$4.00 - 5.00 under class prices. Other fluid products like cream and condensed skim are also in abundant supply with little demand. All of these extra fluid products plus the holiday weekend are causing hauling problems. Contacts report great difficulty finding haulers willing to be out over the holiday. The pressure on manufacturing should ease late in the week as bottlers start refilling the school lunch pipelines.

DRY PRODUCTS: The nonfat dry milk market is mostly steady, but some signs of weakness are becoming evident. Production of NDM is heavy as the holiday glut of surplus milk is being processed. Domestic demand for NDM is slow to fair, but quite a few new DEIP bids are being accepted. Some producers have lowered their offering prices, but are finding little new interest. Some large DEIP sales are occurring, particularly in the West where output seems to be the heaviest. The dry whey market is weak and prices are moving lower. Production, paralleling cheese output, is heavier and producers' stocks are building. Demand is slow. The dry buttermilk market is very weak and prices are sharply lower. The WPC market is also weak. Prices are falling and demand remains slow.

CCC: For calendar year 1998, CCC purchased no butter or cheese and 113,524,252 pounds of nonfat dry milk under the support program. This compares to no butter or cheese and 39,768,717 pounds of nonfat dry milk purchased during 1997.

*****SPECIALS THIS ISSUE*****

RELEASE DATES AND TIMES FOR THE 1999 MONTHLY AVERAGES (ATTACHED SHEET)

**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 DEC 28	TUESDAY DEC 29	WEDNESDAY DEC 30	THURSDAY DEC 31	FRIDAY JAN 1	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.8000 (N.C.)	\$1.8000 (N.C.)	\$1.7975 (-.0025)	CME	CME	-.0025	\$1.7992 (-.0008)
40# BLOCKS	\$1.9000 (N.C.)	\$1.9000 (N.C.)	\$1.9000 (N.C.)	CASH	CASH	N.C.	\$1.9000 (N.C.)
NONFAT DRY MILK EXTRA GRADE	\$1.1050 (N.C.)	\$1.1050 (N.C.)	\$1.1050 (N.C.)	DAIRY	DAIRY	N.C.	\$1.1050 (-.0175)
GRADE A	\$1.1525 (N.C.)	\$1.1525 (N.C.)	\$1.1525 (N.C.)	MARKETS	MARKETS	N.C.	\$1.1525 (N.C.)
BUTTER			\$1.4300 (-.0400)	CLOSED	CLOSED	-----	-----

*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 - December 28, 1998 - January 1, 1999

MONDAY, DECEMBER 28, 1998

CHEESE -- SALES: 21 CARS 40# BLOCKS: 1 @ \$1.8975, 1 @ \$1.9000, 3 @ \$1.8975, 1 @ \$1.9000, 2 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.8000

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

TUESDAY, DECEMBER 29, 1998

CHEESE -- SALES: 12 CARS 40# BLOCKS: 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.8000; 1 CAR 40# BLOCKS @ \$1.9000

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

WEDNESDAY, DECEMBER 30, 1998

CHEESE -- SALES: 12 CARS 40# BLOCKS: 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000, 1 @ \$1.8975, 1 @ \$1.9000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.8000, 1 CAR 40# BLOCKS @ \$1.9000

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

BUTTER -- SALES: 1 CAR GRADE AA @ \$1.4300; BIDS UNFILLED: 5 CARS GRADE AA:1 @ \$1.3500, 2 @ \$1.3000, 2 @ \$1.2500; OFFERS UNCOVERED: NONE

THURSDAY, DECEMBER 31, 1998
NO TRADING

FRIDAY, JANUARY 1, 1999
NO TRADING

PRINT BUTTER MARKETS - GRADE AA

NORTHEAST

Premium structures are unchanged. At the December 23 trading session of the CME butter closed unchanged at \$1.4700. The market tone is firm but unsettled. Most Eastern butter/powder plants are receiving heavy volumes of surplus milk. Also, there are heavy volumes of excess cream being offered to local and out-of-region churning facilities at distressed prices. Butter makers are not paying very much for this excess cream and some are even basing prices on upcoming CME market closes. Demand for butter is slower, but still good. For the second trading session in a row, a large number (45) of unfilled bids were left "on the board." This continues to show some firmness in the market. However, historic patterns usually see sharp price declines just prior to the holidays when more milk and cream are available. Retail demand for butter is slow to fair as most holiday needs have been purchased. Food service orders are holding up quite well as restaurants will be busy over the New Year's Eve weekend.

CENTRAL

Butter prices and pricing differentials are unchanged during this period between Christmas and the New Year. Buying interest is quite good as many buyers continue to try and catch up with previously placed orders that were not filled. Stocks of butter remain in close balance for full needs. Churning schedules over the past Christmas holiday period were quite active as cream volumes were readily available to local butter operations. In many instances, butter producers only took possession of additional cream offerings that fit into their production schedules and did not stress their operations. At this point, butter inventories remain in relatively good balance with projected buying patterns.

WEST

Bulk butter price differentials are steady this week. More milk is available for processing leading to longer manufacturing runs. Demand for both bulk and print butter remains quite good. Stocks are low enough that buyers and sellers are still operating on short inventories. Contacts were commenting on the trading activity on 12/23 at the CME. Most were surprised at the number of bids left on the board. Rain and snow, which has caused localized flooding in the Pacific Northwest, are causing some problems with transportation schedules. Some roads are closed to either mud or standing water. Some power outages were also noted. The overall severity has not been too bad with the concern now being warm rain bringing the snow back out of the mountains and causing more flooding.

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 DECEMBER 23, 1998 CLOSE = \$1.4700

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+4 TO +5	flat TO +3	-3 TO flat

The NASS Dairy Product Prices survey for the week ending December 26, will be released on Thursday, December 31, at 3:00pm Eastern Time and is unavailable for publishing in this report. Data in that release can be found on the Internet at <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy> or on our recorded information system. (608-224-5088 -- press 1,1,5)

CHEESE MARKETS

NORTHEAST

Prices are unchanged on most natural styles; lower on process items. For the first time in many weeks, prices were steady to lower at the CME. It is the first time the CME weekly average for blocks did not increase since the inception of daily trading on September 1. Production levels are steady to heavier as more milk is available to cheese makers. Most, however, are not overly anxious to make cheese at this time. Many feel that current prices cannot be maintained to much longer and they do not want to have too much stock on hand. Some are taking outside milk at discounted prices. Demand for cheese is fair but the majority of the holiday needs have been filled. Last minute fill-in orders and the shorter work week are combining to keep most distributors very busy. Food service orders remain good and should hold at those levels until after the new year. Retail sales are fair.

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

Cheddar 10# Prints	:	1.8975-2.3850
Cheddar Single Daisies	:	1.8700-2.3850
Cheddar 40# Block	:	2.0375-2.1850
Process 5# Loaf	:	1.9875-2.1400
Process 5# Sliced	:	2.0150-2.2000
Muenster	:	2.0775-2.3925
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market tone is steady, though a nervous undertone continues as traders and buyers are still waiting for price declines. The wide (10 cents) barrel/block spread is also a financial problem for barrel producers competing for patron milk. Most producers/traders feel that it is best to clear extra spot loads quickly on the Chicago Mercantile Exchange cash market soon after it is eligible to minimize the potential for inventory write downs. Extra barrels are available from some sources but current interest is light. Barrel and bulk cheese needs remain steady, as most firms are operating on reduced holiday schedules again this week. Many firms are also spending additional time taking year end inventory. Cheese production has stepped up at most Midwestern manufacturing plants. For most plants, reducing the milk price does not stimulate any extra interest, available plant capacity is the limiting factor.

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

Process American 5# Loaf	:	1.9700-2.2100
Brick And/Or Muenster 5#	:	2.1800-2.3675
Cheddar 40# Block	:	2.1150-2.1900
Monterey Jack 10#	:	2.1150-2.3700
Blue 5#	:	2.4950-2.7300
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	2.2200-2.2600
Grade A Swiss Cuts 6 - 9#	:	2.4900-2.6850

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	DECEMBER 28, 1998 - JANUARY 1, 1999
BARRELS*	:	\$1.8000 - 1.8200 (NOMINAL)
	:	(-\$0.0500) (-.0500)
40# BLOCKS	:	\$1.9000 - 1.9500 (NOMINAL)
	:	

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

WEST

Prices continue to falter on process cheese based on trading activity on the CME. Natural and Swiss styles are holding steady. Contacts were a bit surprised at the amount of cheese sold on the exchange over the past few trading sessions. Cheese movement is slower, but that may be mostly related to various end of the year issues rather than only supply and demand. Sellers continue to be satisfied with product movement. Storms in the Northwest are disrupting some transportation schedules, but not causing major problems. Offerings of surplus milk are much heavier in the West than many plant operators had anticipated. Discounts on some of this milk are much deeper than many manufacturers have seen before. Many are tempted to turn down regular producer milk and take the cheap outside milk. This is not likely to happen. Plants are only accepting milk that fits into "holes" in their production schedules. Most contacts believe that the milk is cheap enough to offer price protection on the cheese that would be made and not sold for a period of time.

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

Process 5# Loaf	:	1.9400-2.2075
Cheddar 40# Block	:	2.0000-2.1600
Cheddar 10# Cuts	:	2.1900-2.4200
Monterey Jack 10#	:	2.2100-2.3825
Grade A Swiss Cuts 6 - 9#	:	2.4200-2.5400

FOREIGN

For the first week in since September, domestic prices are unchanged. The market tone is seasonally good as the year-end holiday period is a good period for foreign type cheese consumption. Distributors are quite active trying to make a week's worth of deliveries in 3-4 days. With the domestic cheese market (CME prices) so high, there continues to be interest for imported processing solids.

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

	:	NEW YORK	
VARIETY	:	IMPORTED	DOMESTIC
	:		
Roquefort	:	5.5000-6.8900	-0-
Blue	:	2.6400-3.1400	2.2325-2.8425
Gorgonzola	:	3.2400-5.9400	2.4900-2.9275
Parmesan (Italy)	:	TFEWR	3.6425-3.6825
Romano (Italy)	:	2.1000-2.9000	-0-
Provolone (Italy)	:	3.4400-5.5000	1.9050-2.4325
Romano (Cows Milk)	:	-0-	3.4100-5.7475
Sardo Romano (Argentine)	:	2.6500-3.2900	-0-
Reggianito (Argentine)	:	2.6500-3.2900	-0-
Jarlsberg-(Brand)	:	2.7400-3.1200	-0-
Swiss Cuts Switzerland	:	-0-	2.3500-2.5500
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-

* = Price change.

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

	BUTTER	:	CHEESE
12/28/98	6,649	:	102,124
12/01/98	8,530	:	97,353
CHANGE	-1,881	:	4,771
% CHANGE	-22	:	5

FLUID MILK AND CREAM

E A S T

Milk production is increasing in most areas of the East. Florida's output is increasing rather rapidly and their milk supply is excessive. Milk production in the Middle Atlantic and other Northeastern states is increasing more slowly. Fluid milk supplies were also excessive during the Christmas weekend. Over the holiday weekend, an ice storm hit parts of many Southeastern and Middle Atlantic states. The storm caused transportation problems as well as power outages. Some areas were still without power on Monday. There were some reports of milk that couldn't be picked, but volumes were not yet known. Delays in farm pickups and other deliveries were common. Florida handlers report being very long on milk and, through Tuesday, expect to ship 66 loads out of state. This compares to 51 loads last week and 59 during the same week a year ago. They also are not taking their normal (approximately 90) loads from regular sources. Handlers in the Northeast are also shipping milk greater distances as they look for outlets for their milk. Bottled milk sales are a little better early this week as retailers replenish stocks. Last week, predictions of the ice storm did spawn a round of panic buying in many Southeastern states. Bottlers expect to be on normal schedules by Wednesday or Thursday as they begin refilling school lunch pipelines. The condensed skim market is weak. Offerings are excessive and prices are sharply lower particularly on the many, many distressed loads looking for a home. Regardless of Class usage, buyers are not paying anywhere near what they did a couple weeks ago. Sellers also note that finding trucks to haul milk, condensed, and cream is difficult. The fluid cream market is very weak. Offerings are excessive and an increasing number of loads are moving to Midwestern butter makers. Spot prices are sharply lower as multiples have, at times, dropped to 100 (flat butter market) f.o.b. Suppliers are searching for outlets and coming up empty on most inquiries. Class II demand is very slow. Many ice cream plants are down for the holidays and those that are operating are able to find some inexpensive cream. Egg nog production is generally over for the holidays and most deliveries have been made. Despite the lack of trucking and depressed condensed skim and cream markets, contacts report that the Christmas weekend came and went with few problems.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT			
F.O.B. Producing Plants: Northeast	-	1.4700	- 1.8375
Delivered Equivalent Atlanta	-	1.6611	- 2.0345 M 1.6905 - 1.7934
F.O.B. Producing Plants: Upper Midwest	-	1.6170	- 1.9404

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS			
F.O.B. Producing Plants: Northeast	-	1.0800	- 1.5500

M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
DECEMBER 23 - 29, 1998	0
PREVIOUS WEEK	6
COMPARABLE WEEK IN 1997	0

Manufacturing plant capacity is being severely challenged at most Midwestern locations. Increases in local milk receipts are combined with sizeable offerings backed up from bottlers during the holiday period. The lighter Class I demand at most locations is affected by the closing of schools for the year end holidays. A few bottlers did receive a quick boost in orders late last week due to a winter (ice) storm in the

mid-tier of Midwestern states. Also, New Year retail specials are expected to reduce some of the pressure for a few bottlers and manufacturers. The increase in milk volumes being moved to manufacturing channels has tightened up the supply of tankers and trucks due to the volume and a number of unloading delays at some operations. Volumes from outside the region have also been arriving at some plants. Prices on surplus milk volumes continue to be severely discounted with most sellers just happy to find a home. Quoted prices of \$4.00 - 5.00 under class have been received. One operation reported field spreading whey to provide dryer capacity for additional skim rather than try to sell fluid. Cream prices are much lower than the reported range for the increased volumes entering the churns.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	DEC 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 32.00- 37.00	\$ 33.50- 38.00
REPLACEMENT HEIFER CALVES	\$165.00-220.00	\$110.00-135.00

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

	DEC 22 - 28	PREVIOUS YEAR
SLAUGHTER COWS	\$ 28.00- 38.00	\$ 33.00- 38.75

W E S T

The November pool price announcement for California milk was released at \$17.85 for quota milk with base and overbase prices at \$16.15. These prices are \$3.45 higher when compared to November 1997, but \$.79 lower than last month. The cold weather conditions of last week in California have moderated somewhat, but temperatures continue to be cooler than usual for this time of the year. At this point, milk handlers are stating that overall milk production was not negatively affected by the less than desirable conditions. Milk volumes throughout the Southwest during the past holiday weekend were heavy. In most instances, diversions were handled with minimal problems. The energy emergency alert received by many plants last week did not come to reality, which helped ease the milk processing pressures during the holiday weekend. Milk diversions are expected to remain heavy into midweek, but will then weaken as bottlers once again resume school bottling schedules as many schools resume classes January 4. Cream demand remains slow and unaggressive with cream supplies reported to be readily available. Rain, snow, and flooding is causing more problems as the week progresses in the Pacific Northwest. Rain fell early in the weekend on frozen ground and did not soak in, but just ran off. Conditions warmed further which leads to more snow coming out of the low elevations as snow turns to rain. Power outages have been minimal, but many roads are closed due to either high water or mud slides. The impact on the dairy industry overall is minimal. Most problems are related to delayed pick ups and deliveries of milk and end products. Routes are having to be modified to find open roads. Problems are expected to last most of the week. Things are being made a little worse because of heavy offerings of surplus milk related to the end of the year holidays. Snow was common in Utah and Idaho, but the weather has warmed up and most of it has melted and turned to rain at this time. Mud again is common over the region. Offerings of milk from outside the region were heavier than anticipated. All plants were either at capacity or as full as they want to be. Offering prices on some of the milk was at least \$3 under. This is unusual for this time of the year in the West. Contacts are wondering what the spring flush will be like.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 12/29/98 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 steady to slightly lower. The market tone is steady, but some contacts report that a "few cracks" are developing. Production is very heavy as dryers try to clear all the surplus milk. Most dryers had little powder on hand, so they welcome this increased output to replenish their stocks. Demand is slow to fair as users try to wait until the new year before reordering.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.1350 - 1.1600 MOSTLY: 1.1350 - 1.1400

DRY BUTTERMILK - CENTRAL

Prices are lower and the market tone is weak. Production levels are up at most producing plants. The volumes of excess cream coming into the Midwest are very heavy. Most producers are accumulating inventories as drying outpaces demand. Producers and traders all comment on how slow demand is and that lower prices are doing little to stimulate interest. Market activity is again limited by the holiday shortened work week.

BUTTERMILK: .8500 - .9200

DRY WHEY - CENTRAL

Prices are lower and the market tone is weak. Production levels are heavy as most cheese plants are running at or very near capacity levels. Most suppliers are building some inventory as demand remains sluggish. Reports indicate that most users have enough inventory to carry them into the new year and they have little interest in making spot sales. Some producers have discounted prices, particularly on multi-load deals to stimulate interest and clear some of their growing stocks. The lower prices are doing little to improve interest.

NONHYGROSCOPIC: .2150 - .2450 MOSTLY: .2350 - .2400

ANIMAL FEED WHEY - CENTRAL

Prices are mostly unchanged. This holiday shortened week is much like last week in that there is little activity taking place. Offerings of milk replacer and standard are readily available, but roller and delactose are in decent balance. Demand from the feed industry remains slow.

MILK REPLACER: .1800 - .2100
STANDARD: .1500 - .1800
ROLLER GROUND: .2500 - .2625
DELACTOSE (Min. 20% protein): .3275 - .3575

LACTOSE - CENTRAL AND WEST

Prices are unchanged, but the market tone is mixed. Some producers report closely balanced stocks while others have ample inventories to fill spot needs. Those plants with contracts in place are in the most comfortable supply position. Spot interest is slow to fair and some buyers are waiting for better prices or until after the new year to reorder. First quarter contracts are still being finalized and prices range from slightly lower to steady with fourth quarter prices.

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

EDIBLE: .1400 - .2200 MOSTLY: .1600 - .1750

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are lower and the market tone remains weak. Production is moderate to heavy at most producing plants. Producer offerings are more than ample for the current, slow demand. The year end period is typically slow for WPC and other dairy product markets. Some producers report being in relatively good balance, but many traders report being able to easily obtain product at the low end of the ranges.

EXTRA GRADE 34% PROTEIN: .5000 - .5850 MOSTLY: .5350 - .5700

NONFAT DRY MILK - WEST

Nonfat dry milk prices are unchanged to generally lower. Surplus milk volumes over the past Christmas holiday period and early this week have been heavy. Dryers have been running at near capacity levels. Stocks of powder have been building at most production plants. Buying interest is light with most activity centering around offers of lower priced powder. Although offering prices are lower, buying interest remains light and unaggressive. Most buyers remain hesitant to take on too much additional powder as the calendar year comes to a close and the potential for lower priced offerings may develop.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0300 - 1.1400 MOSTLY: 1.0850 - 1.1100
HIGH HEAT: 1.1500 - 1.1700

DRY BUTTERMILK - WEST

Western buttermilk prices are lower and the market tone is weak. Churning activity during this holiday period has been heavy, thus generating increasing volumes of buttermilk. Buying interest is slow and unaggressive. Most buyers are very unwilling to take on additional volumes of powder at this time of the year. In instances, offering prices are being lowered in hopes of generating some buyer interest to clear building inventories.

BUTTERMILK: .8600 - .9000 MOSTLY: .8600 - .8800

DRY WHEY - WEST

Both range and mostly prices weakened for Western whey in slow year end trading. Buyers are not actively looking for much additional whey at this time of the year, especially if they feel that prices may decline a bit more. Stocks are building at a number of plant locations. Production is heavier than anticipated for this holiday period. Demand for some of the lower quality powder that is being produced at this time is light. Transportations issues related to both the weather and the holiday are a concern.

NONHYGROSCOPIC: .2275 - .2500 MOSTLY: .2325 - .2375

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended **December 18**, on powder sales of 8,681,434 pounds f.o.b. California manufacturing plants was \$1.0912 per pound. This compares to 9,525,174 pounds at \$1.0848 for the previous week ending December 11, 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, but more producers feel that it will be difficult to maintain current prices into the new year. Production levels are up sharply as more surplus milk is available and the spot demand for condensed skim has fallen dramatically. Some producers welcome this increased output as it gives them the opportunity to catch up with back orders; others welcome the ability to replenish tight inventories. Demand is slow to fair and typical for this time of year. Exporting interest, under DEIP, continues as FAS accepts new bids at a moderate to fast pace. At this time, few Eastern producers are not selling/committing to DEIP sales. A large percentage of these new sales are being filled by Western producers. Eastern producers do expect to make some NDM for export, but don't seem willing to make commitments at this time. Domestic demand is slow and typical for this time of year. The holiday-shortened week is finding many suppliers, buyers, and traders on vacation and there is little market activity being reported.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.1400 - 1.1900
 HIGH HEAT: 1.1600 - 1.2000 MOSTLY: 1.1600 - 1.1700

DELVD SOUTHEAST:

ALL HEATS: 1.1300 - 1.2000

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mostly steady this week, but there was little market activity during this second consecutive holiday-shortened week. The market tone remains weak. Churning activity is heavy and buttermilk drying is increasing. Demand for dry buttermilk is slow. Producers' stocks are accumulating.

F.O.B. NORTHEAST: .9000 - .9700

DELVD SOUTHEAST: .9200 - .9550

DRY WHOLE MILK - NATIONAL

Prices are mostly steady and the market tone is unchanged. Production levels are light now that dryers are busy making NDM which clears the milk at a faster pace. Spot demand is slow to fair.

F.O.B. PRODUCING PLANT: 1.5900 - 1.7775

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH DECEMBER 24, 1998
 WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	65,260	MT (143,872,195 LBS)
CHANGE	--	2,459	MT (5,421,111 LBS)
WHOLE MILK POWDER	--	2,580	MT (5,687,868 LBS)
CHEESE	--	2,263	MT (4,989,010 LBS)
CHANGE	--	173	MT (381,396 LBS)
BUTTERFAT	--	0	MT
REALLOCATED NDM	--	25,357	MT (60,311,242 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 unchanged to fractionally lower and the market tone remains steady to weaker. Production levels are heavier as more surplus milk is available to regional cheese makers. There is little market activity, but some orders that are delivering early in January are being noted. Eastern producers do have product they would like to move, but demand is still unaggressive and stocks are accumulating. There are reports of increasing volumes (multi-load deals) of Midwestern whey being offered. Overall, demand is slow. Many buyers are taking just enough to keep them operating as they wait for lower prices.

F.O.B. NORTHEAST: EXTRA GRAD .2350 - .2475

USPH GRADE .2500 - .2550

DELVD SOUTHEAST: .2500 - .2725

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. There is little change in market conditions or activity from last week. Demand remains sluggish due to year end inventory considerations and the depressed market for hogs.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production is light to moderate. The heavier volumes of surplus milk during the holiday season are typically used to help replenish stocks. However, with milk prices at record high levels, producers are reluctant to take on too much milk unless prices have been discounted. Demand for evaporated milk is slower and typical for a post holiday season.

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 and prices are generally unchanged this holiday week. For the most part, casein shipments, scheduled for 1998, have arrived. As contracts are being put together for the new year, first quarter prices are being reported to be much the same as current prices. Indications are that stock levels will be sufficient to maintain favorable prices for first and hopefully second quarter of the year with the last half of the year still unclear. During October, 4,926,242 kg of Casein were imported into the United States. For the first ten months of 1998, 56,924,257 kg of casein have entered the country. The January - October total is 4% heavier than the comparable period in 1997.

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

RENNET: 1.9500 - 2.1000

ACID: 1.9000 - 2.0500

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE PERIOD OF DECEMBER 23 - 31, 1998				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD	
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/98	LAST YEAR	12/25/98	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	7,851,675	-0-	-0-	
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	-0-	-0-	-0-	103,384	7,851,675	-0-	-0-	

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

	MILKFAT* BASIS	SKIM** SOLIDS	MILKFAT* BASIS	SKIM** SOLIDS
PERIOD OF DECEMBER 23 - 31, 1998 =	0.0	0.0	COMPARABLE WEEK IN 1997 =	1.1
CUMULATIVE SINCE OCTOBER 1, 1998 =	0.0	1.2	CUMULATIVE SAME PERIOD LAST YEAR =	1.7
CUMULATIVE JANUARY 1 - DECEMBER 31, 1998 =	25.0	1,321.4	COMPARABLE CALENDAR YEAR 1997 =	26.4

* 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			
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
MIDWEST	-0-	-0-	-0-	-0-	-0-	-0-	0.0	0.0
WEST	-0-	-0-	-0-	-0-	103,384	7,741,500	100.0	97.8
EAST	-0-	-0-	-0-	-0-	-0-	110,175	0.0	2.2
TOTAL	-0-	-0-	-0-	-0-	103,384	7,851,675	100.0	100.0

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

PERIOD OF DEC 22 - 29	0	0.0
CUMULATIVE SINCE 10/1/98	13,806,896	3.0

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 12/12/98 & 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	WEEK	SINCE JAN 1
1998-Dairy cows HD (000)	0.2	1.4	8.4	5.8	21.2	2.4	3.2	0.9	9.8	2.9	56.3	2,530.3	44.0	44.8
1997-Dairy cows HD (000)	0.3	1.9	8.4	6.0	26.6	3.3	3.8	0.9	11.6	2.8	65.6	2,808.8	46.5	45.5
1998-All cows HD (000)	0.3	1.4	11.3	17.6	29.9	18.2	20.3	7.5	12.7	8.9	128.1	5,649.2		
1997-All cows HD (000)	0.3	2.0	11.4	18.3	37.1	19.7	20.1	8.5	15.0	8.8	141.2	6,172.5		

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 12/23

PROCESS	FEBRUARY DELIVERY
2# PROCESS LOAF	396,000 \$2.3540
PROCESS SLICED	712,800 \$2.0860-2.1400
MOZZARELLA	
MOZZARELLA, LMPS	1,895,040 \$1.8390-1.8760
MOZZARELLA, LITE	201,600 \$2.0500-2.0660
MOZZARELLA, LITE SHREDDED	282,240 \$2.1015

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/98 = 34,022,961

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	16.84	

1999 OFFICIAL MONTHLY AVERAGE RELEASE TIMES

<u>MONTH</u>	<u>RELEASE DAY AND TIME *</u>
JANUARY	MON, FEB 1 @ 9:00AM
FEBRUARY	MON, MAR 1 @ 9:00AM
MARCH	FRI, APR 2 @ 9:00AM
APRIL	MON, MAY 3 @ 9:00AM
MAY	FRI, JUN 4 @ 9:00AM
JUNE	FRI, JUL 2 @ 9:00 AM
JULY	MON, AUG 2 @ 9:00AM
AUGUST	FRI, SEP 3 @ 9:00AM
SEPTEMBER	FRI, OCT 1 @ 9:00AM
OCTOBER	MON, NOV 1 @ 9:00AM
NOVEMBER	FRI, DEC 3 @ 9:00AM
DECEMBER	MON, JAN 2, 2000 @ 9:00AM

* Central Time. Release times may vary, depending on CME cash trading dates.