

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (3/05):**

BUTTER: Grade AA closed at \$1.3625 (+.0050).

CHEESE: Barrels closed at \$1.2850 and blocks at \$1.3300. The weekly average for barrels is \$1.2930 (-.0020) and blocks, \$1.3300 (N.C.).

NONFAT DRY MILK: Extra Grade closed at \$1.0375 and Grade A at \$1.0500. The weekly average for Extra Grade is \$1.0375 (N.C.) and Grade A is \$1.0500 (N.C.).

CHICAGO MERCANTILE EXCHANGE BUTTER MARKET (CME):

Starting on Monday, March 8, 1999, at 11:05 a.m. CST, the Chicago Mercantile Exchange will begin three-day-a-week (M,W,F) trading in Spot Call Butter.

BUTTER: Butter markets remain unsettled and the market tone is mixed. Producers and handlers have varying opinions as to the direction of the market in the near term. Some feel that prices will remain firm while others anticipate weaker prices. Production across the country varies, but generally is seasonally heavy. Cream offerings are adequate, although some butter producers are looking for additional volumes. Orders for Lenten and upcoming Easter needs are good. Members of the trade are wondering how the move to three days per week trading at the CME will impact the market. No consensus has been reached about how spot/contract prices will be established.

CHEESE: The cheese market is steady to weak. Movement is generally moderate. Fast food promotional activity continues to aid process sales. Cheese production remains seasonally heavy, reflecting milk receipts. CCC has announced plans to change its monthly cheese procurement to long term contracting for deliveries July 1999 through June 2000. The contracted price for a delivery month will be based on the offered differential price plus the applicable Chicago Mercantile Exchange cash market price. Interested persons are to notify CCC by March 15. CCC intends to host a pre-bid conference for interested parties.

FLUID MILK: Class I sales were slightly improved, taking some pressure off of manufacturing facilities. However, manufacturing schedules remain seasonally heavy. Milk intakes continue to increase through most of the country and remain above 1998 levels.

DRY PRODUCTS: Recent product trends continue. The whey and WPC markets are steady. Prices remain unchanged despite heavy production schedules. Most other powder markets remain weak and production remains seasonally heavy. More producers are pricing NDM at, and in a few instances, below the support purchase price of \$1.01. Buttermilk prices are steady even though condensed markets remain slow to develop.

CCC: During the week of March 1 - 5, CCC purchased 3,793,992 pounds

of NDM from Western producers.

BASIC FORMULA PRICE (USDA, DAIRY PROGRAMS): The basic formula price (BFP) for February 1999 is \$10.27 per cwt. at 3.5% test. The BFP is \$6.00 lower than last month, and \$3.05 lower than February 1998. The BFP is the base month M/W price of \$14.72 minus a change of \$4.45 which is the change in the butter/powder/cheese formula from January to February. For February, the NASS average cheese price was \$1.3010. The butterfat differential is \$0.139. Class III-A prices are: for Federal Orders 1 & 2, \$12.80; for Order 4, \$12.82; for Orders 124, 131, & 135, \$12.75; for other affected orders, \$12.78.

DAIRY EXPORT ENHANCEMENT PROGRAM (FAS): Foreign Agricultural Service (FAS), announced that an amendment to the NDM invitation under DEIP will be issued to consolidate all outstanding balances of NDM available for bidding under the regional allocations announced by USDA on June 30, 1998. As of March 2, these balances totaled 7,154 metric tons. Under the amended invitation, all of this tonnage will be available for bidding for export to any of the previously eligible regions. Certain individual country limitations may still apply. The last day to bid under all current DEIP invitations will be June 29, 1999. For additional information on accessing releases, contact the FAS at (202) 720-7115.

DAIRY SITUATION AND OUTLOOK (ERS): Dairy market conditions in 1999 and 2000 are expected to differ dramatically from the sluggish milk production and record milk prices of 1998. Recent relatively high producer returns are expected to unleash a surge of milk production sufficient to overtake projected milk demand and drop milk prices sharply. Output is expected to rise about 2% this year, with gains in milk per cow exceeding 2% and easily outweighing the fractional decline in cow numbers. Dairy demand is expected to be fairly strong in 1999, but probably will not match that of 1998. Wholesale prices of cheese and butter have been on a roller coaster ride that may not yet have ended. Exchange prices of cheese have recovered modestly after January's 65-cent plunge, evidently a correction to an over-reaction and very similar to the earlier pattern of butter prices. Cheese prices may edge somewhat higher before seasonally rising milk production erodes them this spring. Butter prices may stay unsettled. For all of 1999, farm milk prices are projected to be about \$14.00 to \$14.75 per cwt., down about \$1.00 from the 1998 record but still much higher than in most of the nineties. A faster-than-expected expansion in milk output would, of course, reduce 1999 milk prices. Retail dairy product prices are expected to peak during the first half of 1999 and then decline slightly or hold about steady during the second half.

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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 MAR 1	TUESDAY MAR 2	WEDNESDAY MAR 3	THURSDAY MAR 4	FRIDAY MAR 5	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.2950 (N.C.)	\$1.2950 (N.C.)	\$1.2950 (N.C.)	\$1.2950 (N.C.)	\$1.2850 (-.0100)	-.0100	\$1.2930 (-.0020)
40# BLOCKS	\$1.3300 (N.C.)	\$1.3300 (N.C.)	\$1.3300 (N.C.)	\$1.3300 (N.C.)	\$1.3300 (N.C.)	N.C.	\$1.3300 (N.C.)
NONFAT DRY MILK EXTRA GRADE	\$1.0375 (N.C.)	\$1.0375 (N.C.)	\$1.0375 (N.C.)	\$1.0375 (N.C.)	\$1.0375 (N.C.)	N.C.	\$1.0375 (N.C.)
GRADE A	\$1.0500 (N.C.)	\$1.0500 (N.C.)	\$1.0500 (N.C.)	\$1.0500 (N.C.)	\$1.0500 (N.C.)	N.C.	\$1.0500 (N.C.)
BUTTER GRADE AA					\$1.3625 (+.0050)	+.0050	-----

*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 - March 1 - 5, 1999

MONDAY, MARCH 1, 1999

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$1.3275, 1 @ \$1.3300, \$1 @ 1.3275, 1 @ \$1.3300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.2950; 1 CAR 40# BLOCKS @ \$1.3300

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

TUESDAY, MARCH 2, 1999

CHEESE -- SALES: 1 CAR BARRELS @ \$1.2950; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2950; 1 CAR 40# BLOCKS @ \$1.2500; OFFERS UNCOVERED: 3 CARS 40# BLOCKS @ \$1.3300

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

WEDNESDAY, MARCH 3, 1999

CHEESE -- SALES: 2 CARS 40# BLOCKS: 1 @ \$1.3275, 1 @ \$1.3300; BIDS UNFILLED: 1 CAR BARRELS @ \$1.2950; 1 CAR 40# BLOCKS @ \$1.2500; OFFERS UNCOVERED: NONE

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

THURSDAY, MARCH 4, 1999

CHEESE -- SALES: NONE; BIDS UNFILLED: 3 CARS BARRELS @ \$1.2950; 1 CAR 40# BLOCKS @ \$1.2500; OFFERS UNCOVERED: NONE

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

FRIDAY, MARCH 5, 1999

CHEESE -- SALES: 1 CAR BARRELS @ \$1.2850; 2 CARS 40# BLOCKS: 1 @ \$1.3225, 1 @ \$1.3300; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 6 CARS BARRELS @ \$1.2950, 4 CARS 40# BLOCKS @ \$1.3300

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

BUTTER -- SALES: 1 CAR @ \$1.3625; BIDS UNFILLED: 2 CARS: 1 @ \$1.3625, 1 @ \$1.2500; OFFERS UNCOVERED: 11 CARS: 1 @ \$1.3875, 1 @ \$1.3900, 1 @ \$1.3950, 2 @ \$1.3975, 1 @ \$1.4000, 1 @ \$1.4500, 3 @ \$1.5000, 1 @ \$1.5500

BUTTER MARKETS

NORTHEAST

Premium structures remain unchanged to higher. At the February 26 trading session of the CME, the butter close was up 1 3/4 cents to \$1.3575. There is some concern by members of the trade as to how three-day-a-week trading will affect current pricing procedures. Expanded trading sessions begin Monday, March 8. Excessive milk supplies allow for heavy churning activity. Butter makers are also searching for surplus cream. Butter demand is fair with contacts still anticipating some improvement with the upcoming holidays.

CENTRAL

The butter market tone remains mixed. Producers and handlers have various opinions on the stability of current cash prices. Some feel that prices will adjust lower as the spring milk flush develops, while others anticipate steady to firm markets for the flush season. Stocks of butter are generally sufficient for current buyer interest. Orders for the upcoming Easter holiday are developing quite well. Scattered retail feature activity is scheduled during this Lenten/Easter period which, in the past, has cleared good volumes and is expected to do much the same this year. Churning schedules are seasonally active, although offerings of outside cream are not as heavy as in past weeks.

WEST

Western butter price differentials are holding steady this week. Print orders are coming in nicely for the upcoming Easter holiday season. Accounts are expecting good sales activity. Retail prices are continuing to soften slowly which should lead to good sales activity. Institutional account sales are also expected to be relatively good. Bulk orders are fair, but not aggressive. Butter production remains quite heavy. Contacts are concerned that after Easter needs are covered, and if production levels remain this heavy, there may be a strong possibility that prices will again decline this spring. Some butter is going into storage programs at this time. Contacts are wondering how the move to three days per week trading at the CME will impact the market, if at all. No consensus has been reached about how spot/contract prices will be established.

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 FEBRUARY 26, 1999 CLOSE = \$1.3575

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+4 1/2 TO +5	+1 TO +3	-5 TO -2 1/2

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

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
FEBRUARY 27	1.3017 6,266,050	1.2747 10,578,831	1.0261 14,505,042	1.3160 4,441,124	0.1860 6,760,395

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

NORTHEAST

CHEESE MARKETS

WEST

Since February 4, there has been no change in prices reported at the CME on cheddar cheese. The market tone is mostly steady. Prices are unchanged on blocks and slightly higher on processed. Surplus volumes of milk and condensed skim are readily cleared by cheesemakers in the Northeast. Cheese output remains heavy. Milk production shows no signs of dropping off before the spring time flush. Food service and retail orders are seasonally moderate. Cheese offerings are fully adequate for the light to fair demand.

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

Cheddar 10# Prints	:	1.3300-1.8175
Cheddar Single Daisies	:	1.3025-1.8175
Cheddar 40# Block	:	1.4725-1.6175
Process 5# Loaf	:	1.4850-1.6350
Process 5# Sliced	:	1.5100-1.7350
Muenster	:	1.5100-1.8125
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is steady on cheddar, irregular ranging from weak to steady on other varieties. Current movement continues to hold relatively unchanged with recent weeks. Orders are generally sufficient to keep most cutting/process lines fairly busy on 40 hour schedules. Cheese production remains seasonally heavy as milk receipts remain well above year ago levels. Cheese offerings are adequate on cheddar, adequate to ample on some soft styles such as muenster. Swiss sales range from slow to occasionally improved as buyers work down stocks in anticipation of lower prices during the next few months. Despite the generally fair to good movement of bulk cheese at the plants, limited progress is being made on reducing plant inventories from recent levels. CCC announced that it intends to change its monthly procurement to long term contracting for expected purchases for deliveries July 1999 through June 2000. The contracts will be based on the applicable Chicago Mercantile Exchange cash price.

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

Process American 5# Loaf	:	1.4750-1.9000
Brick And/Or Muenster 5#	:	1.8000-1.8900
Cheddar 40# Block	:	1.5925-2.1150
Monterey Jack 10#	:	1.7825-2.1150
Blue 5#	:	1.9275-2.4200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.6625-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.5400-2.6850

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	MARCH 1 - 5, 1999
BARRELS*	:	\$1.2850 - 1.3050 (NOMINAL)
	:	(\$.0025) (.0025)
40# BLOCKS	:	\$1.3200 - 1.3600 (NOMINAL)
	:	

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

Western cheese prices are holding generally steady. Sales activity, overall, is rated between fair and good. Barrel cheese and processing solids remain in the tightest position. Process cheese sales have not slowed at all through the entire winter season. Offerings remain short of trade needs. Demand for current blocks has slowed somewhat and production is on the increase. These two factors are leading to inventory levels that are increasing. Aging programs are being quickly replenished. Swiss sales and production are in close balance. Mozzarella cheese remains in a very tight position. Buyers continue to scramble to find enough cheese. Cheese output is generally increasing along normal seasonal patterns. Most plants are expecting to have a struggle to handle all the milk efficiently this spring.

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

Process 5# Loaf	:	1.4425-1.7025
Cheddar 40# Block	:	1.4525-1.5925
Cheddar 10# Cuts	:	1.6425-1.8525
Monterey Jack 10#	:	1.6625-1.8150
Grade A Swiss Cuts 6 - 9#	:	2.3000-2.4800

FOREIGN

Prices and the market tone are mostly unchanged. Supplies of most types of cheese are adequate to meet the current, slow to fair demand. Some imported grating cheeses are in tighter supply both here and in country of origin.

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	1.6650-2.2750
Gorgonzola	:	3.2400-5.9400	2.3200-2.4900
Parmesan (Italy)	:	TFEWR	3.0750-3.1050
Romano (Italy)	:	2.1000-2.9000	-0-
Provolone (Italy)	:	3.4400-5.5000	1.6650-1.9550
Romano (Cows Milk)	:	-0-	2.8450-5.0800
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
	03/01/99	16,171	:	103,484
	02/01/99	9,830	:	112,216
	CHANGE	+6,341	:	-8,732
	% CHANGE	+65	:	-8

Based on the historical relationship of the preliminary U.S. Cold Storage report of January 31 and the selected centers storage report, the expected U.S. holdings as of March 1 are:

Butter 96 million pounds plus or minus 3.24 percent
Cheese 379 million pounds plus or minus 4.98 percent

FLUID MILK AND CREAM

EAST

Milk production continues to increase. Volumes in the Northeast are steady to heavier with one contact reporting receipts 5-6% above last year's levels. Production is heaviest in the Gulf States and the Carolinas. Florida shipped out 48 loads into nearby Southern areas. Louisiana and the Carolinas also moved a few loads out due to excessive supplies. Class I sales continue slow although somewhat improved over last week due to first-of-the-month activity. Last week's storms in the Northeast had little influence on the market other than a few minor shipping delays. Surplus milk diversions to manufacturing facilities are heavy. Most plants are running at full capacity. Milk and condensed skim are moving into cheese production as orders for summer and fall needs are placed. Movement of condensed skim and cream into ice cream production has also picked up slightly. However, higher Class I and Class II prices have deterred some ice cream interest. The condensed skim market is steady. Prices are mixed and demand is fair. Despite a drop in the March Class II milk price, some suppliers raised condensed skim prices. The cream market is steady to fully steady. Prices are mostly higher due in part to a 1 3/4 cent increase in butter prices at the CME. Cream multiples are also higher when compared to last week. Spot shipments are at a minimum with regular commitments easily satisfied. Supplies ranged in balance to ample for current Class II interest. Some uncertainty is noted in reference to the March 8 change to multiple day butter trading at the CME. Churning activity is heavy as butter makers prepare for the upcoming holidays.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. Producing Plants: Northeast	-	1.5611 - 1.8191
Delivered Equivalent Atlanta	-	1.5747 - 1.8191 M 1.6290 - 1.6968
F.O.B. Producing Plants: Upper Midwest	-	1.6813 - 1.7783

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

F.O.B. Producing Plants: Northeast	-	1.1500 - 1.5900
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MIDWEST

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
FEBRUARY 26 - MARCH 4, 1999	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1998	0

Class I interest is slightly improved in most markets, bolstered by the usual first of the month demand improvement and, to a lesser degree, lower wholesale milk prices. Bottlers had to increase schedules somewhat and, in a few cases, purchase a few extra outside loads from local suppliers. There were no reported loads of Wisconsin milk "direct shipped" to another state and pooled under a Southern federal order. Volumes of surplus milk during the week were generally a little lighter and helped reduce the price pressure. Also, the anticipated lower milk prices have reduced the pressure to undercut spot prices somewhat. Surplus prices range from a flat open offer of \$2.00 under class. Local spot sales last weekend ranged from about \$.50 under class upwards to a few loads at \$11.00. Milk intakes are steady to slightly higher. Fat and protein tests are basically unchanged. Ice cream production is still somewhat light. Manufacturing schedules remain seasonally active but often just a bit lighter than recent weeks. Some operators continue to review plant operations in an attempt to find additional capacity for the anticipated milk receipt increase in spring. Snow cover ranges from

bare ground with little frost to well covered in many northernmost locations.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 25 - MAR 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 34.00- 39.00	\$ 34.00- 40.00
REPLACEMENT HEIFER CALVES	\$160.00-235.00	\$120.00-150.00

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

	FEB 25 - MAR 3	PREVIOUS YEAR
SLAUGHTER COWS	\$ 30.00- 39.25	\$ 35.00- 40.00

WEST

The February 4a price (butter/powder) in California is \$12.62, down 77 cents from January 1999 and 33 cents lower than last year. The 4b price (cheese) is \$11.29, \$3.05 lower than last month and \$1.23 cents less than last year. The April and May 1999 Class 1 prices in California range from \$13.96 in the north to \$14.24 in the south. The statewide average Class 1 based on production is \$14.02. The average is \$5.82 cents lower than the prior period and \$1.18 lower than the previous year. January pool receipts of milk in California total 2.386 billion pounds, up 6.4% from last year. The increase is the largest since January 1998. The blend price, at a fat test of 3.78%, is 43 cents higher than December 1998 at \$16.77. The percentage of receipts used in Class 1 products is 24.42%. The January quota price is \$16.46 and the base and overbase prices are \$14.76. These prices are \$1.18 lower than last month but \$2.34 higher than January 1998. California milk production remains strong. Contacts are stating that production is higher in Southern and Northern California than in the Central Valley region. However, milk is moving around to find processing capacity. Milk continues to move into California from other states. Most plants are running extended schedules to process milk. Arizona and New Mexico milk production also continues to trend higher. Weather conditions across the Southwest are warm and dry, making for near ideal milk producing conditions. Milk producers are finding feed supplies available and less expensive. New crop alfalfa is showing up on the marketplace. Cream prices are mainly steady despite the slight increases in the butter price. Western multiples are being quoted in the 110 to 120 range, FOB. The wet weather that has been common over the Pacific Northwest for the entire winter season continues. Many areas are reported to be near record setting levels of moisture. The snow pack in the Cascades continues to build. More attention is now being focused on the potential for flooding as the spring run off season approaches. Most reservoirs are being drawn down as far as possible to have more storage capacity available. Many contacts believe there will certainly be flooding problems. The question is how bad they will be and how widespread. Milk production remains very strong as spring approaches. The wet weather is having very little impact on the milk flow. Some herds are noticing slight increases in somatic cell counts. Very heavy winds and surf are again hitting the Oregon coast. Scattered power outages are causing some problems. Herd culling remains limited, but as milk prices are poised to drop record setting amounts this week, this may change. Feed prices continue to be extremely favorable. Hay markets are lackluster with quality offerings continuing to decline. Manufacturing plants in Utah and Idaho continue to operate on heavier than normal schedules for this season of the year. Contacts expect this trend to continue through the spring. Fat and protein tests on incoming milk receipts are a little ahead of normal.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 03/04/99 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 lower and the market tone remains weak. More producers are offering NDM at the support purchase price of \$1.01. They feel that if they are not that low, they will lose business and they do not want to build stocks any more than they already have. There has been some talk of packaging for offering to CCC, but no confirmation of that has yet been made. Drying schedules are very active and surplus milk volumes are very heavy for this time of year. Demand for NDM is just fair. Some large volume deals have been put together, but for the most part, buyers see continued heavy output and little reason to buy too far ahead. Early this week, USDA, FAS announced that the current program's remaining NDM allocations (approx. 7,100 MT) under DEIP will be made global rather than region specific

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: 1.0100 - 1.0400 MOSTLY: 1.0100 - 1.0300

DRY BUTTERMILK - CENTRAL

Prices are unchanged to slightly higher, particularly on the low end of the range. Despite the price increase, the market tone is very weak. Production levels are moderate to heavy and producer stocks range from fully adequate to ample. Spot demand is slow and often limited to replacement volumes. Some of the attractive offering prices seen recently have done little to improve demand.

BUTTERMILK: .6900 - .7400

DRY WHEY - CENTRAL

Prices and the market tone are unchanged. Traders and producers point out that market activity has been quiet for a couple weeks. Price discounts are rare, but premiums are just as rare in the current market. Producers don't want to lower prices any further, but demand is slow and production levels are heavier than expected for this time of year. Producer stocks range from balanced to fully adequate. Some contacts note that product is clearing satisfactorily while others report growing difficulty selling dry whey. Exports are occasionally slower as sales to Mexican buyers are steady to slower.

NONHYGROSCOPIC: .1800 - .1950 MOSTLY: .1800 - .1900

ANIMAL FEED WHEY - CENTRAL

Prices and the market tone are unchanged. Demand for feed grade whey is still slow to fair. Contacts report a continued slow hog and veal market and, consequently, little improvement in the need for feed ingredients. Prices for most types of whey feed are thought to be at the bottom of this price cycle. However, offerings are still heavier than desired at some plants.

MILK REPLACER: .1500 - .1700
STANDARD: TFEWR
ROLLER GROUND: .1925 - .2100
DELACTOSE (Min. 20% protein): .3075 - .3375

LACTOSE - CENTRAL AND WEST

Prices and the market tone are unchanged. Production levels are moderate to heavy as more milk moves to cheese plants. Spot sales are slow to fair, but contracts do clear a large percentage of producers' output. Second quarter contracts are being negotiated and most contacts expect prices will be close to or the same as first quarter prices.

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

EDIBLE: .1550 - .2050 MOSTLY: .1600 - .1750

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are mostly unchanged and the market tone is steady. Unconfirmed reports of sales below the range have been noted, but these are often for product "down graded" for animal feed buyers. Production levels are moderate to heavy as milk supplies moving into cheese plants are very heavy for this time of year. Producer stocks range from balanced to fully adequate. Traders report little trouble finding desired spot needs. At current prices, there is some additional interest but few new spot sales. Most users have sufficient stocks on hand to meet their needs.

EXTRA GRADE 34% PROTEIN: .4700 - .5150 MOSTLY: .4800 - .5050

NONFAT DRY MILK - WEST

Low/medium heat NDM markets remain weak and prices are lower. More producers are lowering prices towards the support price of \$1.0100. There have been trades under the support price that are being reported. There is pressure in the marketplace to lower prices as sellers are losing sales to resellers locally and producers in other regions are matching Western prices. So, for now, freight costs are a competitive disadvantage for Western producers. Several producers in the West continue to use support sales as a tool to sell excess production. During the week of February 22 - 26 Western producers offered 6,744,494 pounds of NDM to the CCC under the price support program. Prices for high heat NDM are unchanged and nominal in light spot trading. Some additional interest was noted this week, but sales were slow. Production remains limited as processors are streamlining operations to keep milk flow at the maximum. Stocks of high heat are light, while low heat stocks are heavy.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0000 - 1.0300 MOSTLY: 1.0100 - 1.0150
HIGH HEAT: 1.0300 - 1.0500

DRY BUTTERMILK - WEST

Prices are mixed for dry buttermilk, but the mostly range is holding steady. The general tone of the market is weak. Producers see little merit in lowering prices any more. Buying interest is limited as buyers have little incentive to make purchases. Powder is available from most suppliers in the region and resellers have powder to move. Drying schedules are active in the West as butter churning remains high and condensed buttermilk markets are slow to materialize. Stocks remain moderate to heavy.

BUTTERMILK: .6800 - .7200 MOSTLY: .7000 - .7200

DRY WHEY - WEST

The Western edible whey market continues to hold steady. Stocks of whey are available, but manufacturers are not overly concerned at this time. They generally feel comfortable with their current inventory levels. Domestic demand is steady at fair levels. Export sales have improved somewhat as prices have declined this winter. A Japanese tender for whey powder is due in next week. Powder production is increasing seasonally. The volumes of whey powder that manufacturing plants are selling as animal feed continues to be relatively heavy. Stocks of this type of powder continue to build.

NONHYGROSCOPIC: .1900 - .2100 MOSTLY: .1900 - .2000

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended February 26, on powder sales of 6,981,071 pounds f.o.b. California manufacturing plants was \$1.0198 per pound. This compares to 9,916,750 pounds at \$1.0272 for the previous week ending February 19, 1999. 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

FAS announced that an amendment to the NDM invitation under DEIP will be issued to consolidate all outstanding balances of NDM available for bidding under the regional allocations. Currently, these balances total 7,154 MT. The market tone remains weak. Prices are mostly unchanged. Production is mixed. Some plants have cut back as excess milk is often diverted to cheese manufacturing. Others continue to increase production due to the abundant milk supplies and lackluster condensed skim sales. Drying schedules remain heavy at most plants. Demand is light with lower prices clearing some inventories. Multiple load deals are still offered at a discount. Producer stocks are moderate to heavy and building.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0100 - 1.0800 MOSTLY: 1.0300 - 1.0600
HIGH HEAT: 1.0500 - 1.1500 MOSTLY: 1.0600 - 1.1100

DELVD SOUTHEAST:

ALL HEATS: 1.0400 - 1.1400

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

The market tone is weak with prices generally unchanged. Demand is sluggish. Some plants are finding it difficult to dry product at these prices and instead prefer to move condensed. Discounts are available for the light buyer interest. Spot trading remains slow with regular commitments clearing product the best. Some ice cream activity is noted. However, one contact was surprised that ice cream production still remains slow. Production is moderate to heavy. Supplies are adequate to fully adequate.

F.O.B. NORTHEAST: .7125 - .7500
DELVD SOUTHEAST: .7100 - .7750

DRY WHOLE MILK - NATIONAL

The market tone is steady with prices unchanged to instances lower. Most contacts are awaiting lower expected milk prices before developing any further trade. Demand is slow with spot trading at a minimum. Supplies are in balance as milk is readily diverted to cheese and NDM production. Producer stocks are in balance with current needs. No new DEIP bids are being accepted because the program allocation of 5,003 MT has been attained.

F.O.B. PRODUCING PLANT: 1.2700 - 1.7300

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH FEBRUARY 26, 1999
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	--	76,304	MT (168,219,797 LBS)
CHANGE	--	2,023	MT (4,459,906 LBS)
WHOLE MILK POWDER	--	5,003	MT (11,029,613 LBS)
CHEESE	--	3,011	MT (6,638,051 LBS)
CHANGE	--	14	MT (30,864 LBS)
BUTTERFAT	--	0	MT
REALLOCATED NDM	--	26,258	MT (57,888,386 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

The market tone is mostly steady with some signs of weakness as excessive milk supplies encourage heavy cheese production. Milk volumes are expected to increase through the spring time flush offering no sign of a decrease in whey production. Prices are generally unchanged for the continued slow demand. Spot trading is light. Some concern is noted on how a drop in milk prices will affect current whey prices. Supplies are in good balance with product readily available for the light buyer's needs. Producer contracts are easily filled.

F.O.B. NORTHEAST: EXTRA GRADE .1800 - .1900
USPH GRADE A .1950 - .2100
DELVD SOUTHEAST: .2100 - .2250

ANIMAL FEED WHEY - NORTHEAST

The market tone is steady with prices still too few to report. Production is steady for the light demand. Cutbacks in the livestock industry due to ample supplies allow for minimal market developments for animal feed. Spot interest remains light with regular shipments clearing product the best.

F.O.B. NORTHEAST: MILK REPLACER TFEWR

EVAPORATED MILK - NATIONAL

The Kansas City Commodity office announced the purchase of 1,542,240 pounds of canned evaporated milk under EVD-1, invitation 540 at prices ranging \$.42270-.47880 per pound for delivery April 1-30, 1999. It was also announced that all offers for evaporated milk under invitations 541 and 542, for respective deliveries in May and June, were rejected due to price. The market tone remains steady. Prices are unchanged for the slow to fair demand. Production is steady due to more than adequate milk supplies. Producer stocks are in balance with current interest.

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

The casein market tone remains weak. Domestic buyers continue to report readily available supplies of both rennet and acid casein. Buyers indicate that shipments are on schedule and do not foresee problems for the balance of this quarter and the next. Stocks in sourcing countries are reported to be fully sufficient for needs. In Oceania, the milk production season is winding down, thus stock levels have basically been established for upcoming shipments while European sources are on the eve of a new production season.

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

RENNET: 1.9000 - 2.0500
ACID: 1.9000 - 2.0000

COFFEE, SUGAR, & COCOA EXCHANGE (A Subsidiary of the NEW YORK BOARD OF TRADE) AND CHICAGO MERCANTILE EXCHANGE FUTURES

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

Month	02/17	02/18	02/19	02/22	02/23	02/24	02/25	02/26	03/01	03/02
CSCE/NYBT - BFP -- Dollars per cwt.										
FEB 99	11.18 (182) 1	11.18 (181) 0	11.13 (181) 1	10.85 (187) 9	10.70 (184) 38	10.50 (183) 17	10.58 (179) 4	10.83 (185) 13	10.20 (185) 1	10.14 (195) 3
MAR 99	11.80 (116) 4	11.83 (118) 3	11.88 (121) 5	11.75 (121) 2	11.60 (151) 31	11.54 (156) 7	11.64 (156) 4	11.68 (156) 1	11.25 (157) 2	11.27 (158) 1
APR 99	11.53 (163) 2	11.53 (168) 4	11.61 (169) 8	11.57 (169) 0	11.40 (169) 0	11.25 (169) 1	11.16 (169) 0	11.40 (171) 6	11.00 (170) 2	10.98 (170) 10
MAY 99	11.38 (80) 3	11.38 (84) 2	11.47 (87) 6	11.43 (87) 0	11.30 (89) 2	11.10 (89) 0	11.08 (92) 3	11.20 (90) 6	10.85 (87) 2	10.83 (85) 2
JUN 99	11.53 (80) 2	11.52 (81) 1	11.63 (85) 7	11.58 (85) 0	11.38 (89) 4	11.28 (90) 1	11.25 (90) 0	11.33 (95) 5	11.03 (94) 0	10.95 (94) 1
JUL 99	12.33 (37) 2	12.33 (39) 2	12.40 (41) 12	12.38 (42) 1	12.33 (43) 4	12.28 (43) 5	12.13 (45) 2	12.13 (45) 6	11.98 (46) 2	11.90 (46) 0
AUG 99	12.72 (40) 0	12.72 (42) 2	12.83 (43) 1	12.88 (47) 4	12.78 (53) 6	12.78 (58) 5	12.78 (59) 1	12.77 (59) 8	12.60 (61) 7	12.57 (61) 0
SEP 99	13.04 (58) 2	13.02 (59) 1	13.10 (61) 2	13.15 (66) 5	13.18 (68) 11	13.15 (68) 2	13.15 (69) 0	13.18 (69) 0	13.12 (71) 6	13.10 (72) 1
OCT 99	13.20 (43) 2	13.22 (45) 2	13.40 (48) 5	13.45 (50) 2	13.45 (52) 2	13.35 (53) 1	13.30 (54) 1	13.43 (57) 3	13.32 (68) 21	13.28 (69) 1
NOV 99	13.05 (20) 2	13.03 (23) 3	13.20 (24) 1	13.15 (26) 2	13.23 (28) 18	13.15 (28) 0	13.03 (28) 0	13.13 (30) 2	13.04 (33) 8	13.08 (33) 0
DEC 99	12.55 (10) 0	12.55 (10) 0	12.60 (10) 0	12.60 (10) 0	12.68 (11) 2	12.55 (11) 0	12.70 (12) 1	12.70 (12) 0	12.73 (13) 1	12.80 (15) 6
JAN 00	12.25 (6) 0	12.25 (6) 0	12.30 (6) 0	12.30 (6) 0	12.30 (6) 0	12.30 (6) 0	12.30 (6) 0	12.30 (6) 0	12.23 (6) 0	12.18 (6) 0

CME - BUTTER -- Cents per pound

FEB 99	132.00									
MAR 99	134.00 (36) 0	135.00 (37) 7	136.50 (37) 0	136.50 (37) 0	136.50 (37) 0	137.00 (35) 2	137.50 (35) 1	137.50 (35) 0	137.50 (35) 0	137.50 (34) 0
MAY 99	139.50 (6) 0	139.75 (11) 8	140.50 (11) 0	140.50 (11) 0	140.50 (11) 0	142.00 (15) 6	142.00 (15) 0	141.00 (15) 2	141.00 (15) 0	141.00 (15) 0
JLY 99	142.75 (48) 0	144.00 (47) 4	144.00 (46) 2	144.00 (46) 0	144.00 (46) 0	145.50 (46) 4	145.50 (46) 0	145.00 (45) 2	145.00 (45) 1	145.00 (45) 0
SEP 99	144.50 (154) 3	146.55 (155) 8	146.55 (155) 1	147.05 (155) 0	147.00 (156) 1	147.05 (156) 4	147.05 (156) 0	147.00 (160) 5	147.75 (160) 1	146.75 (160) 0

CME - BFP -- Dollars per cwt.

FEB 99	11.15 (931) 40	11.17 (1054) 139	11.14 (1095) 44	10.81 (1095) 35	10.55 (1097) 75	10.52 (1124) 149	10.60 (1096) 118	10.80 (989) 135	10.19 (989) 138	10.15 (979) 26
MAR 99	11.80 (661) 24	11.86 (681) 41	11.89 (688) 7	11.80 (688) 35	11.61 (756) 94	11.55 (808) 80	11.61 (814) 21	11.65 (954) 33	11.28 (954) 212	11.29 (1015) 76
APR 99	11.50 (748) 24	11.55 (762) 24	11.62 (763) 15	11.52 (763) 6	11.39 (766) 12	11.24 (775) 27	11.28 (776) 26	11.35 (753) 40	11.00 (753) 109	10.95 (769) 90
MAY 99	11.35 (541) 60	11.40 (538) 7	11.45 (556) 12	11.35 (556) 20	11.25 (560) 17	11.00 (592) 70	11.05 (592) 25	11.20 (629) 52	10.82 (629) 75	10.75 (640) 20
JUN 99	11.52 (409) 28	11.52 (413) 14	11.65 (421) 13	11.55 (421) 6	11.35 (425) 4	11.30 (420) 22	11.32 (420) 35	11.35 (453) 31	11.03 (453) 101	10.92 (459) 13
JUL 99	12.31 (292) 24	12.33 (295) 4	12.41 (300) 5	12.39 (300) 10	12.39 (323) 24	12.27 (336) 23	12.15 (349) 28	12.15 (359) 13	11.90 (359) 5	11.88 (360) 3
AUG 99	12.72 (229) 5	12.74 (233) 9	12.85 (237) 9	12.84 (237) 15	12.80 (240) 3	12.77 (251) 23	12.75 (263) 22	12.77 (281) 11	12.63 (281) 27	12.60 (296) 18
SEP 99	13.02 (181) 19	13.02 (186) 18	13.13 (202) 14	13.16 (202) 11	13.16 (202) 5	13.13 (208) 14	13.17 (213) 12	13.18 (233) 8	13.10 (233) 36	13.10 (243) 23
OCT 99	13.22 (197) 10	13.25 (200) 8	13.50 (208) 12	13.47 (208) 7	13.46 (210) 5	13.39 (215) 10	13.38 (220) 5	13.40 (228) 1	13.34 (228) 15	13.34 (241) 13
NOV 99	13.01 (117) 6	13.02 (117) 8	13.20 (131) 10	13.20 (131) 7	13.20 (133) 2	13.11 (133) 0	13.05 (140) 7	13.15 (143) 11	13.07 (143) 3	13.07 (152) 16
DEC 99	12.54 (38) 0	12.54 (38) 0	12.58 (37) 0	12.70 (37) 4	12.70 (39) 2	12.64 (40) 2	12.67 (45) 5	12.70 (48) 1	12.72 (48) 2	12.85 (50) 4
JAN 00	-----	-----	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (1) 0	12.25 (2) 0	12.25 (2) 1	12.25 (3) 1

1/ At the CSCE/NYBT Open interest for NDM -- 44,000 pounds per contract, Cheddar Cheese -- 10,500 pounds per contract, Fluid Milk -- 50,000 pounds per contract, BFP -- 100,000 pounds per contract. At the CME Open interest for Cheddar Cheese -- 40,000 pounds per contract and BFP -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

NOTE: The CME started futures trading for dry whey and nonfat dry milk (NDM) on November 16, 1998. Up to this point, there have been no settling prices recorded for either product.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered February 22 - March 5, 1999

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

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: International buying interest out of Western Europe has gained some momentum. Although international sales are not large, recent interest is the most activity thus far this year. Northern Africa, Japan, and Mexico are buyers that are currently negotiating sales or at least questioning availability. Skim milk powder intervention is now open and powder produced during the past month is available for offering. It is still too early to get figures on initial offerings, but the general opinion from the trade is that large offering will clear during the open season. One factor that may limit early offerings is if international buyer interest would develop. European traders feel that Oceania product is not overly available and U.S. DEIP allocations are nearly filled until July, thus giving European sourced product a possible edge over these two potential sources. On March 15, PSA for butter will open. Although milk production is seasonally low and for the most part, building slightly, overall milk production throughout Europe is being closely monitored as the quota year-end nears (March 31).

BUTTER/BUTTEROIL: Butter markets are generally steady with prices unchanged to slightly lower. Butter stocks are reported to be sufficient for current light buyer interest. For the most part, butter is available due to minimal international demand during the past winter season. Churning schedules are seasonally low as milk production prepares to increase seasonally. At this time, most European producers are closely monitoring their marketings as the milk quota year comes to a close. As of March 15, PSA for European butter will open.

82% BUTTERFAT: 1,500 - 1,680
99% BUTTERFAT: 1,725 - 1,950

SKIM MILK POWDER (SMP): Skim milk powder markets are steady although the market undertone remains mixed. Prices are unchanged to slightly lower, although with intervention now open, traders feel that prices should stabilize if not improve slightly. Skim milk powder intervention opened March 1. Powder produced during February can be offered and early indications are that some powder has already been offered. International buyer interest for skim milk powder is starting to develop. Some sales have been negotiated for delivery during the second quarter of the year. The recent sales activity is the most significant trading activity of the new calendar year. On Tuesday, March 2, the United States Department of Agriculture announced an amendment to the 1998 - 99 DEIP that stated that all outstanding balances (7,154 mt) of nonfat dry milk available for bidding under the regional allocations will be consolidated. Tonnage will be available for bidding for export to any of the previously eligible regions. With this announcement, European traders feel that potential Mexico buyer interest that was developing will probably go to the U.S.

1.25% BUTTERFAT: 1,250 - 1,300

WHOLE MILK POWDER (WMP): Whole milk powder markets are starting to see some international buyer interest. Sales are being negotiated and filled from both Eastern and Western European sources. Most of the powder that is currently being sold is for shipment during the second quarter of the year. Current stocks of limited, thus shipments will be filled with new production as it becomes available.

26% BUTTERFAT: 1,475 - 1,550

SWEET WHEY POWDER: Whey markets are generally steady at unchanged prices. At this time, edible whey markets are quiet with the most trading activity occurring within the animal feed market. Most of this trading is within domestic channels with international activity limited.

NONHYGROSCOPIC: 500 - 600

OVERVIEW: EASTERN EUROPE: Trading activity out of Eastern Europe is also gaining some strength. Recent sales of skim and whole milk powder for delivery later this spring are the most significant transactions in many months. Current stock levels are seasonally low, although the new milk production season is close at hand, thus manufactured dairy product stocks will soon become available.

OCEANIA

OVERVIEW: International buyer interest remains slow and unaggressive for Oceania sourced dairy products. For the most part, international buying interest is slow throughout the world. Milk production trends in New Zealand and Australia remain much the same as they have been all production season. In Australia, conditions have been quite favorable for a firm production season with estimates, compared to last season, up 4 - 5%. New Zealand's output has not fared as well. Their production season has been plagued by dry conditions and their production estimates, compared to last season, are 3 - 4% lower. All in all, stocks of most manufactured dairy products are in balance with current and projected sales, although butter stocks are reported to be somewhat heavier and more available for additional buyer interest. Oceania traders attribute the heavier butter volumes to the lack of sales that did not develop during the past production season.

BUTTER: Oceania butter markets are generally steady at unchanged prices. Stocks of butter are reported to be fully sufficient for current and potential buyer interest. Of all manufactured dairy products within the region, Oceania traders report that butter stocks are the longest. Many attribute the surplus of butter to the lack of international sales during the past few months.

82% BUTTERFAT: 1,500 - 1,550

CHEDDAR CHEESE: Cheese markets are basically steady at unchanged prices. Sales are quite stable to usual buyers which are clearing stocks and maintaining inventories at manageable levels. Cheese production schedules throughout the Oceania region are declining seasonally following milk production declines.

39% MAXIMUM MOISTURE: 1,800 - 1,850

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are steady to weak. Much of the current weakness in the market is being attributed to the recent European subsidy increase, thus Oceania traders are trying to remain competitive price wise. Although stock levels are reported to be in balance, New Zealand and Australian traders would potentially position themselves to be competitive if international buyer interest develops.

1.25% BUTTERFAT: 1,300 - 1,350

WHOLE MILK POWDER (WMP): Whole milk powder markets are steady to weak with prices unchanged to lower. Full cream powder buying interest is light and unaggressive as are most other manufactured dairy products at this time. Stocks of powder are in balance with some reporting additional powder available for sale. Oceania traders do not foresee much buyer interest developing for the near term.

26% BUTTERFAT: 1,500 - 1,650

Exchange rates for selected foreign currencies: March 1, 1999

.4943 Dutch Guilder	.5569 German Mark
.1661 French Franc	.5264 New Zealand Dollar
.1007 Mexican Peso	.6192 Australian Dollar
1.6088 British Pound	.0083 Japanese Yen
.2551 Polish Zloty	1.0893 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.1007) = 9.9305. That is 1 US Dollar equals 9.9305 Mexican Pesos.

Source: "Wall Street Journal"

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 1999 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 5	REPORT NUMBER 6	REPORT NUMBER 7	REPORT NUMBER 8	1999	1998 **
	FEB 01 - 05	FEB 08 - 12	FEB 15 - 19	FEB 22 - 26	Average	Average
					or Total	or Total
BUTTER						
CHICAGO MERCANTILE EXCHANGE 2/ - CASH TRADING						
-- Grade AA	1.2825	1.2825	1.3400	1.3575	1.3153	1.3918
WHOLESALE SELLING DIFFERENTIALS, F.O.B. - BULK - TRUCKLOAD QUANTITIES						
-- Grade AA						
Northeast	+2.00 - +5.00	+2.00 - +5.00	+2.00 - +5.00	+4.50 - +5.00	N.A.	N.A.
Central	0.00 - +3.00	0.00 - +3.00	0.00 - +3.00	+1.00 - +3.00	N.A.	N.A.
West	-5.50 - -2.50	-5.00 - -2.50	-4.00 - -2.50	-5.00 - -2.50	N.A.	N.A.
CHEESE						
MIDWEST COMMODITY CHEDDAR						
-- Cheddar Barrels	1.2100 - 1.2300	1.2400 - 1.2600	1.2925 - 1.3125	1.2825 - 1.3025	1.2643	1.4357
-- Cheddar 40# Blocks	1.2550 - 1.3000	1.2925 - 1.3225	1.3250 - 1.3550	1.3200 - 1.3600	1.3150	1.4466
WISCONSIN (WSP, Delivered, LTL)						
-- Process American 5# Loaf	1.4050 - 2.1000	1.4300 - 2.1000	1.4825 - 2.1000	1.4725 - 1.9000	1.7465	1.6288
-- Brick And/Or Muenster 5#	1.7225 - 2.0600	1.7600 - 2.0100	1.7950 - 1.9600	1.8000 - 1.8900	1.8745	1.7988
-- Cheddar 40# Block	1.5150 - 2.1150	1.5525 - 2.1150	1.5875 - 2.1150	1.5925 - 2.1150	1.8378	1.7975
-- Monterey Jack 10#	1.7050 - 2.2300	1.7425 - 2.1900	1.7775 - 2.1400	1.7825 - 2.1150	1.9604	1.8975
-- Blue 5#	1.8500 - 2.5900	1.8875 - 2.5400	1.9225 - 2.4800	1.9275 - 2.4200	2.2022	2.1413
-- Mozzarella 5 - 6#	1.5875 - 2.2150	1.6225 - 2.2150	1.6575 - 2.2150	1.6625 - 2.2150	1.9231	1.8525
-- Grade A Swiss Cuts 6 - 9#	2.5400 - 2.6850	2.5400 - 2.6850	2.5400 - 2.6850	2.5400 - 2.6850	2.6125	2.3825
NORTHEAST (WSP, Delivered, LTL)						
-- Cheddar 10# Prints	1.2525 - 1.7400	1.2900 - 1.7775	1.3250 - 1.8125	1.3300 - 1.8175	1.5418	1.6825
-- Cheddar Single Daisies	1.2250 - 1.7400	1.2625 - 1.7775	1.2975 - 1.8125	1.3025 - 1.8175	1.5280	1.6700
-- Cheddar 40# Block	1.3950 - 1.5400	1.4325 - 1.5775	1.4675 - 1.6125	1.4725 - 1.6175	1.5130	1.6475
-- Process 5# Loaf	1.4125 - 1.5625	1.4425 - 1.5925	1.4950 - 1.6450	1.4825 - 1.6325	1.5312	1.6969
-- Process 5# Sliced	1.4375 - 1.6625	1.4675 - 1.6925	1.5200 - 1.7450	1.5075 - 1.7325	1.5937	1.7357
-- Muenster	1.4325 - 1.7375	1.4700 - 1.7725	1.5050 - 1.8075	1.5100 - 1.8125	1.6296	1.8100
-- Grade A Swiss Cuts 10 - 14#	2.3500 - 2.5500	2.3500 - 2.5500	2.3500 - 2.5500	2.3500 - 2.5500	2.4500	2.3775
WEST COAST (WSP, Delivered, LTL)						
-- Process 5# Loaf	1.3725 - 1.6300	1.4025 - 1.6600	1.4550 - 1.7125	1.4425 - 1.7000	1.5449	1.6903
-- Cheddar 40# Block	1.3750 - 1.5150	1.4125 - 1.5525	1.4475 - 1.5875	1.4525 - 1.5925	1.4905	1.6713
-- Cheddar 10# Cuts	1.5750 - 1.7750	1.6025 - 1.8125	1.6375 - 1.8475	1.6425 - 1.8525	1.7168	1.8513
-- Monterey Jack 10#	1.5850 - 1.7375	1.6225 - 1.7750	1.6575 - 1.8100	1.6625 - 1.8150	1.7068	1.8150
-- Grade A Swiss Cuts 6 - 9#	2.3500 - 2.4900	2.3300 - 2.4800	2.3000 - 2.4800	2.3000 - 2.4800	2.4018	2.4488
FLUID AND DRY PRODUCTS						
SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)						
Delivered Equivalent:						
-- Northeast	1.4905 - 1.7209	1.4108 - 1.6673	1.4108 - 1.6673	1.5008 - 1.8090	1.5871	1.7543
-- Atlanta	1.4905 - 1.7615	1.4108 - 1.6673	1.4108 - 1.6673	1.5276 - 1.8090	1.5959	1.8070
-- Upper Midwest	1.6260 - 1.7615	1.6031 - 1.6673	1.6031 - 1.6673	1.6616 - 1.7420	1.6681	1.7657
SPOT PRICES OF CONDENSED SKIM (\$ per lb. wet solids)						
Delivered Equivalent:						
-- Northeast	1.1500 - 1.5200	1.2000 - 1.5800	1.1500 - 1.5800	1.1300 - 1.5800	1.3611	1.1138
WISCONSIN FLUID MILK SHIPMENTS						
-- Loads Shipped from Wisconsin						
Shipping Points	0	0	0	0	0	0
NATIONAL EVAPORATED MILK (\$ per Case)						
(Case - 48 - 12 fluid oz cans)						
-- Delivered Major U.S. Cities	23.6200 - 33.0000	23.6200 - 33.0000	23.6200 - 33.0000	23.6200 - 33.0000	28.3100	27.7500

MONTHLY SUMMARY AND AVERAGES FOR FEBRUARY 1999 1/ - (UNLESS OTHERWISE NOTED, PRICES ARE DOLLARS PER POUND, CL/TL)

COMMODITY	REPORT NUMBER 5	REPORT NUMBER 6	REPORT NUMBER 7	REPORT NUMBER 8	1999	1998 **
	FEB 01 - 05	FEB 08 - 12	FEB 15 - 19	FEB 22 - 26	Average	Average
					or Total	or Total
DRY PRODUCTS						
NONFAT DRY MILK						
-- Central (f.o.b.)						
-- Low/Medium Heat	:: 1.0300 - 1.0700	:: 1.0300 - 1.0900	:: 1.0100 - 1.0550	:: 1.0100 - 1.0500	:: 1.0437	: N.A.
-- Mostly	:: 1.0500 - 1.0600	:: 1.0400 - 1.0500	:: 1.0200 - 1.0450	:: 1.0100 - 1.0325	:: 1.0388	: N.A.
-- West (f.o.b.)						
-- Low/Medium Heat	:: 1.0100 - 1.0500	:: 1.0100 - 1.0450	:: 1.0100 - 1.0400	:: 1.0100 - 1.0300	:: 1.0257	: 1.0368
-- Mostly	:: 1.0100 - 1.0300	:: 1.0100 - 1.0200	:: 1.0100 - 1.0200	:: 1.0100 - 1.0200	:: 1.0163	: 1.0293
-- High Heat	:: 1.0400 - 1.1000	:: 1.0300 - 1.0700	:: 1.0300 - 1.0500	:: 1.0300 - 1.0500	:: 1.0505	: 1.0568
-- Northeast (f.o.b.)						
-- Low/Medium Heat	:: 1.0500 - 1.1200	:: 1.0500 - 1.1000	:: 1.0300 - 1.1000	:: 1.0100 - 1.0800	:: 1.0676	: N.A.
-- High Heat	:: 1.0800 - 1.1700	:: 1.0800 - 1.1700	:: 1.0700 - 1.1600	:: 1.0300 - 1.1500	:: 1.1137	: N.A.
-- Mostly	:: 1.1000 - 1.1100	:: 1.0900 - 1.1100	:: 1.0800 - 1.1100	:: 1.0600 - 1.1100	:: 1.0963	: N.A.
-- Southeast (Delvd)						
-- Extra & Grade A	:: 1.0750 - 1.1600	:: 1.0700 - 1.1600	:: 1.0400 - 1.1400	:: 1.0400 - 1.1400	:: 1.1038	: 1.0725
WHEY POWDER (Nonhygroscopic)						
-- Central (f.o.b.)	:: 0.1800 - 0.1950	:: 0.1800 - 0.1950	:: 0.1800 - 0.1950	:: 0.1800 - 0.1950	:: 0.1875	: 0.2430
-- Mostly	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1850	: 0.2450
-- West (f.o.b.)	:: 0.1900 - 0.2175	:: 0.1900 - 0.2125	:: 0.1900 - 0.2100	:: 0.1900 - 0.2100	:: 0.2013	: 0.2151
-- Mostly	:: 0.1900 - 0.2075	:: 0.1900 - 0.2000	:: 0.1900 - 0.2000	:: 0.1900 - 0.2000	:: 0.1960	: 0.2134
-- Northeast Extra Grade (f.o.b.)	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1800 - 0.1900	:: 0.1850	: 0.2520
-- Northeast Usph Grade A (f.o.b.)	:: 0.1900 - 0.2125	:: 0.1900 - 0.2100	:: 0.1950 - 0.2100	:: 0.1950 - 0.2100	:: 0.2015	: 0.2591
-- Southeast Extra Grade (Delvd)	:: 0.2100 - 0.2250	:: 0.2100 - 0.2250	:: 0.2100 - 0.2250	:: 0.2100 - 0.2250	:: 0.2175	: 0.2700
WHEY PROTEIN CONCENTRATE						
-- Central And West (f.o.b.)						
-- Extra Grade 34% Protein	:: 0.4700 - 0.5300	:: 0.4700 - 0.5150	:: 0.4700 - 0.5150	:: 0.4700 - 0.5150	:: 0.4945	: 0.6025
-- Mostly	:: 0.4800 - 0.5100	:: 0.4800 - 0.5050	:: 0.4800 - 0.5050	:: 0.4800 - 0.5050	:: 0.4932	: 0.6069
ANIMAL FEED - WHEY						
-- Central (f.o.b.)						
-- Milk Replacer	:: 0.1500 - 0.1700	:: 0.1500 - 0.1700	:: 0.1500 - 0.1700	:: 0.1500 - 0.1700	:: 0.1600	: 0.2125
-- Standard	:: TFEWR	:: TFEWR	:: TFEWR	:: TFEWR	:: TFEWR	: 0.2000
-- Roller Ground	:: 0.1925 - 0.2100	:: 0.1925 - 0.2100	:: 0.1925 - 0.2100	:: 0.1925 - 0.2100	:: 0.2013	: 0.2599
-- Delactose	:: 0.3075 - 0.3375	:: 0.3075 - 0.3375	:: 0.3075 - 0.3375	:: 0.3075 - 0.3375	:: 0.3225	: 0.3538
-- Northeast (f.o.b.)						
-- Milk Replacer	:: TFEWR	:: TFEWR	:: TFEWR	:: TFEWR	:: TFEWR	: TFEWR
BUTTERMILK (Min. 30% protein)						
-- Central (f.o.b.)	:: 0.7400 - 0.7950	:: 0.7400 - 0.7700	:: 0.6800 - 0.7550	:: 0.6850 - 0.7400	:: 0.7392	: 0.9493
-- West (f.o.b.)	:: 0.6700 - 0.7700	:: 0.7000 - 0.7700	:: 0.6700 - 0.7350	:: 0.6700 - 0.7400	:: 0.7163	: 0.9146
-- Mostly	:: 0.7200 - 0.7400	:: 0.7200 - 0.7300	:: 0.7000 - 0.7200	:: 0.7000 - 0.7200	:: 0.7192	: 0.9118
-- Northeast (f.o.b.)	:: 0.7500 - 0.8200	:: 0.7500 - 0.7950	:: 0.7500 - 0.7550	:: 0.7125 - 0.7500	:: 0.7607	: 0.9574
-- Southeast (Delvd)	:: 0.7900 - 0.8200	:: 0.7700 - 0.8050	:: 0.7100 - 0.7900	:: 0.7100 - 0.7750	:: 0.7724	: 0.9680
WHOLE MILK POWDER						
-- National						
-- National (f.o.b.)	:: 1.2500 - 1.6525	:: 1.2500 - 1.7300	:: 1.3000 - 1.7300	:: 1.3000 - 1.7300	:: 1.4916	: 1.3192
LACTOSE						
-- Central And West (f.o.b.)	:: 0.1550 - 0.2050	:: 0.1550 - 0.2050	:: 0.1550 - 0.2050	:: 0.1550 - 0.2050	:: 0.1800	: 0.2200
-- Mostly	:: 0.1600 - 0.1750	:: 0.1600 - 0.1750	:: 0.1600 - 0.1750	:: 0.1600 - 0.1750	:: 0.1675	: 0.2175
CASEIN - Edible - National (f.o.b.)						
-- Nonrestricted - Rennet	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9000 - 2.0500	:: 1.9750	: 2.1800
-- Nonrestricted - Acid	:: 1.9000 - 2.0000	:: 1.9000 - 2.0000	:: 1.9000 - 2.0000	:: 1.9000 - 2.0000	:: 1.9500	: 2.0750

1/ Prices for all products not footnoted 2/ are issued once a week and represent a value for the entire week. Monthly averages are based on weekly prices and are time-weighted according to the number of workdays in the month - Saturdays, Sundays and National Holidays excluded. No monthly average is computed if one or more weekly prices are missing. 2/ The monthly averages are based on the exchange trading date prices and are time-weighted for each day, starting with the exchange trading date, until the next exchange trading date - Saturdays, Sundays, and National Holidays are included.

** The January 1998 averages shown as a comparison to January 1999 averages in report 05 were incorrect. For the correct January 1998 averages please refer to pages 7 and 8 of report number 02. We are sorry for any inconvenience this may have caused.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR FEBRUARY 1999

COMMODITY	:REPORT NUMBER 5 :REPORT NUMBER 6 :REPORT NUMBER 7 :REPORT NUMBER 8 :				: 1999 * : 1998 *	
	: FEB 1 - 5	: FEB 8 - 12	: FEB 16 - 19	: FEB 22 - 26	: Monthly	: Monthly
					: Average	: Average
CHEESE*						
-- BARRELS						
--Monday	:: 1.2250	:: 1.2825	:: ##	:: 1.2950	::	:
--Tuesday	:: 1.2300	:: 1.2875	:: 1.2900	:: 1.2950	::	:
--Wednesday	:: 1.2600	:: 1.2925	:: 1.2900	:: 1.2950	::	:
--Thursday	:: 1.2600	:: 1.3425	:: 1.2900	:: 1.2950	::	:
--Friday	:: 1.2800	:: 1.3100	:: 1.2950	:: 1.2950	:: 1.2847	: 1.4194
--Weekly Average**	:: 1.2510	:: 1.3030	:: 1.2913	:: 1.2950	::	:
-- 40# BLOCKS						
--Monday	:: 1.2600	:: 1.3200	:: ##	:: 1.3300	::	:
--Tuesday	:: 1.2600	:: 1.3250	:: 1.3300	:: 1.3300	::	:
--Wednesday	:: 1.3100	:: 1.3250	:: 1.3300	:: 1.3300	::	:
--Thursday	:: 1.3150	:: 1.3300	:: 1.3300	:: 1.3300	::	:
--Friday	:: 1.3150	:: 1.3300	:: 1.3300	:: 1.3300	:: 1.3189	: 1.4214
--Weekly Average**	:: 1.2920	:: 1.3260	:: 1.3300	:: 1.3300	::	:
NONFAT DRY MILK*						
-- EXTRA GRADE						
--Monday	:: 1.0400	:: 1.0400	:: ##	:: 1.0375	::	:
--Tuesday	:: 1.0400	:: 1.0400	:: 1.0375	:: 1.0375	::	:
--Wednesday	:: 1.0400	:: 1.0375	:: 1.0375	:: 1.0375	::	:
--Thursday	:: 1.0400	:: 1.0375	:: 1.0375	:: 1.0375	::	:
--Friday	:: 1.0400	:: 1.0375	:: 1.0375	:: 1.0375	:: 1.0384	: N.A.
--Weekly Average**	:: 1.0400	:: 1.0385	:: 1.0375	:: 1.0375	::	:
-- GRADE A						
--Monday	:: 1.0500	:: 1.0500	:: ##	:: 1.0500	::	:
--Tuesday	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	::	:
--Wednesday	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	::	:
--Thursday	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	::	:
--Friday	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	: N.A.
--Weekly Average**	:: 1.0500	:: 1.0500	:: 1.0500	:: 1.0500	::	:

* Monthly averages are a simple average of all the closes during the month. Weekly and monthly averages are independent calculations.

** Weekly averages are simple averages of the closes during the calendar week and are for information purposes. Should the week be split between two months, the weekly average will appear in the monthly report in which the Friday close is reported.

Chicago Mercantile Exchange closed for Presidents' Day.

FEBRUARY 1999 DEIP BID ACCEPTANCE

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
NONFAT DRY MILK				
JULY 1998 - JANUARY 1999		70,015		
02/02	AFRICA & MIDDLE EAST	175	FEB-MAY	\$975
02/04	ASIA & FSU	306	FEB-JUN	\$950
02/05	AFRICA & MIDDLE EAST	1,000	FEB-AUG	\$975
02/05	ASIA & FSU	18	MAY-JUN	\$950
02/09	AFRICA & MIDDLE EAST	250	FEB-MAR	\$975
02/10	AFRICA & MIDDLE EAST	1,100	MAR-SEP	\$975
02/11	ASIA & FSU	650	MAR-AUG	\$950
02/16	AFRICA & MIDDLE EAST	200	FEB-JUN	\$1,025
02/17	AFRICA & MIDDLE EAST	30	FEB-APR	\$1,025
02/18	AFRICA & MIDDLE EAST	187	FEB-JUN	\$1,025
02/19	AFRICA & MIDDLE EAST	350	APR-AUG	\$1,025
02/22	AFRICA & MIDDLE EAST	285	FEB-JUN	\$1,025
02/23	ASIA & FSU	560	MAR-AUG	\$1,025
02/23	AFRICA & MIDDLE EAST	438	MAY-OCT	\$1,025
02/26	ASIA & FSU	525	APR-AUG	\$1,045
02/26	AFRICA & MIDDLE EAST	215	MAR-JUN	\$1,033.14
FEBRUARY 1 - 28, 1999		<u>6,289</u>		
PROGRAM TO DATE		76,304		
REALLOCATED	CARIBBEAN & MEXICO	102	FEB-MAY	\$950
	CARIBBEAN & MEXICO	489	APR-AUG	\$1,000
	CARIBBEAN & MEXICO	35	FEB-APR	\$950
	CARIBBEAN & MEXICO	53	FEB - MAR	\$950
WHOLE MILK POWDER				
JULY 1998 - JANUARY 1999		3,656		
02/02	CARIBBEAN, CENT & S. AM	500	FEB-OCT	\$1,350
02/05	CARIBBEAN, CENT & S. AM	80	APR-AUG	\$1,350
02/17	CARIBBEAN, CENT & S. AM	520	FEB-AUG	\$1,346.92
02/18	CARIBBEAN, CENT & S. AM	247	JUN-OCT	\$1,339
FEBRUARY 1 - 28, 1999		<u>1,347</u>		
PROGRAM TO DATE		5,003		
CHEESE				
JULY 1998 - JANUARY 1999		2,997		
02/25-V	AFRICA & MIDDLE EAST	14	FEB-JUN	\$1,000
FEBRUARY 1 - 28, 1999		<u>14</u>		
PROGRAM TO DATE		3,011		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ - MONTEREY JACK, V - VARIETAL				
BUTTEROIL/ANHYDROUS MILKFAT				
JULY 1998 - JANUARY 1999		0		
FEBRUARY 1 - 28, 1999		<u>0</u>		
PROGRAM TO DATE		0		
TOTAL MT				PROGRAM-TO-DATE
TOTAL BONUS VALUE				84,318
				\$87,793.000**

Exporters of U.S. milk powder, butterfat and cheddar cheese are aided under the Dairy Export Incentive Program (DEIP), created by Food Security Act of 1985 and extended by the Food, Agriculture, Conservation, and Trade Act of 1990. Export sales are facilitated through payment of bonuses by the U.S. Department of Agriculture's Commodity Credit Corporation. Sales of dairy products will be made through normal commercial channels at competitive world prices. For further information call L.T. McElvain (202) 720-6211. Conversion: 1 metric ton (MT) = 2,204.6 pounds.

SOURCE: FOREIGN AGRICULTURAL SERVICE

THE DAIRY SITUATION AND OUTLOOK*

Dairy Markets Changing. Dairy market conditions in 1999 and 2000 are expected to differ dramatically from the sluggish milk production and record milk prices of 1998. Recent relatively high producer returns are expected to unleash a surge of milk production sufficient to overtake projected milk demand and drop milk prices sharply. However, the timing of these developments is highly uncertain. The full brunt of the production expansion is projected to arrive in 2000, although an earlier appearance is a distinct possibility.

Milk Production Expansion Begins. A number of cross-currents affected 1998 milk production. Concentrate feed prices began the year somewhat high but fell considerably as the year progressed. Weather effects were quite adverse in some regions at some times, but were quite favorable at other places and times. Supplies of top quality forage stayed tight but supplies of lesser quality alfalfa were large. But the key feature of last year's milk production was the failure of output, for most of the year, to respond to high prices. Except for weather-related aberrations, milk production was essentially flat from late 1995 until the autumn of 1998. Milk cow numbers at the end of 1999 are not expected to be much below current levels. Although the exit of dairy farmers may not change much, the pressure of recent returns should spur expanding producers to pick up the pace. Even without optimal forage conditions, milk per cow should post a large gain, although it may not fully return to trend after the sluggishness of recent years. Expansion in milk production is projected to accelerate gradually during 1999. Output is expected to rise about 2 percent this year, with gains in milk per cow exceeding 2 percent and easily outweighing the fractional decline in cow numbers. The greatest growth in milk production is not projected to occur until late 1999 or 2000. However, the incentives to expand output have been so large that a surge in production is a possibility at any time.

Dairy Demand to Soften. Brisk economic growth and consumer willingness to spend boosted dairy product demand in 1998. Consumers bought 2 percent more dairy products on a milkfat basis and 1 percent more on a skim solids basis, even though retail dairy prices averaged 4 percent above 1997. Demand for milkfat was particularly strong with sales of butter, cream, cream cheese, and ice cream showing relatively little effect of extremely high prices. Meanwhile, cheese sales rose almost 2 percent, commercial disappearance of nonfat dry milk was about unchanged, and fluid sales slipped fractionally. Dairy demand is expected to be fairly strong in 1999, but probably will not match that of 1998. Economic growth is projected to be strong, but consumers may not spend with such exuberance. Sales will also be affected by carry-over effects from the high wholesale prices of 1998. Some wholesale buyers probably will make purchasing adjustments based on their experiences of last year--not just current prices. At retail, current year-to-year price increases probably are larger than at any time in 1998. The projected increase in 1999 milk production will mean that significantly larger quantities will have to clear commercial markets this year. However, the somewhat softer demand means that they probably will do so only at lower prices.

International dairy markets have been mostly adrift. Export supplies have been moderate, in part because of lower output in New Zealand. However, demand softness has kept prices below a year earlier. Prospects appear dim for substantive improvements in 1999 international dairy markets. Exports under the Dairy Export Incentive Program (DEIP) will be large in 1999, but there will be a hiatus in new contracts for nonfat dry milk as some key allocations will be exhausted before midyear. In addition, the shrinking amounts allowed under WTO mean that DEIP cannot absorb a large surplus.

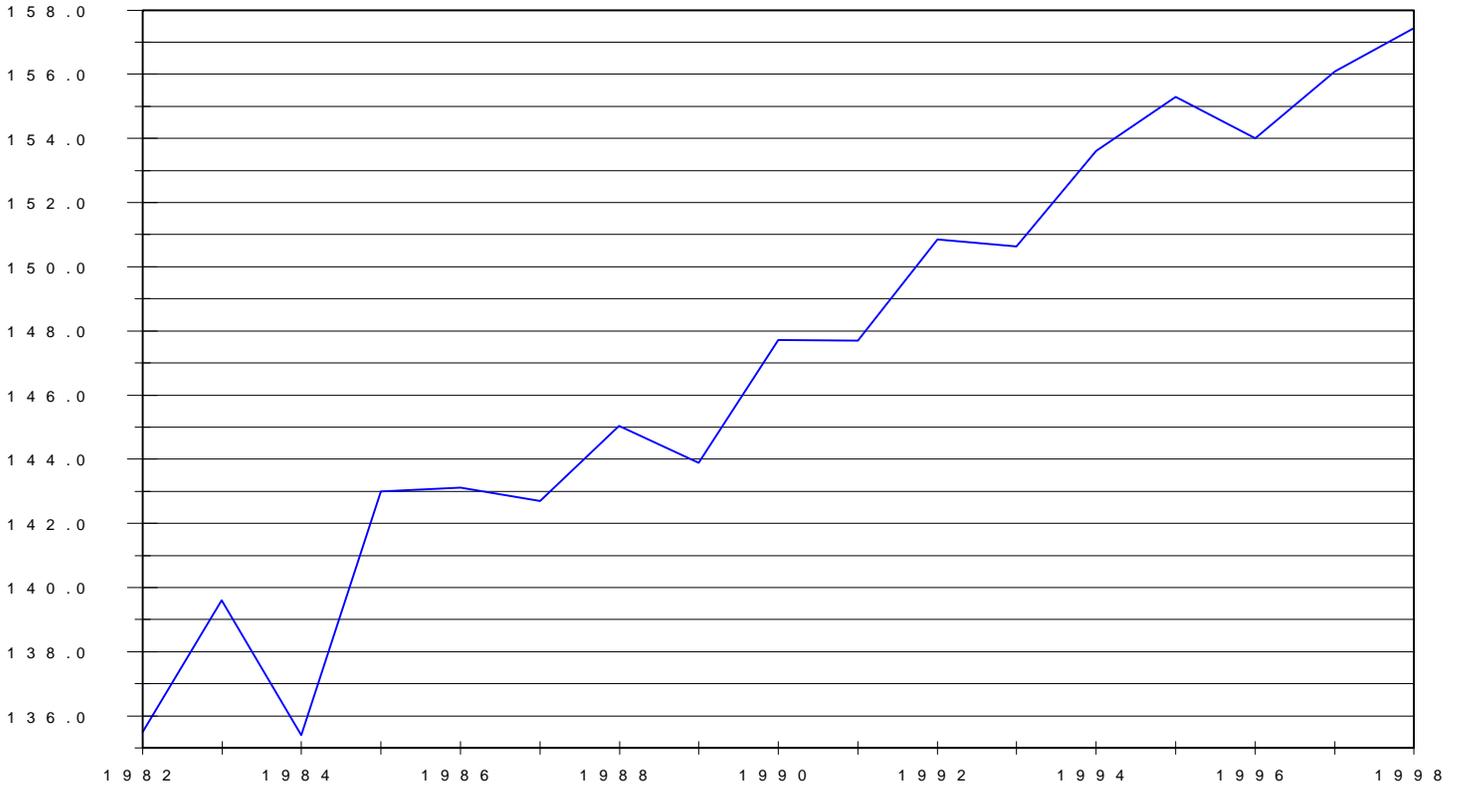
Dairy Prices Lower. Wholesale prices of cheese and butter have been on a roller coaster ride that may not yet have ended. Exchange prices of cheese have recovered modestly after January's 65-cent plunge, evidently a correction to an over-reaction and very similar to the earlier pattern of butter prices. Cheese prices may edge somewhat higher before seasonally rising milk production erodes them this spring. Butter prices may stay unsettled. Farm milk prices are expected to regain some stability by late spring-early summer--but at levels much below the second half of 1998 or the start of 1999. The expansion in milk production has begun to overcome dairy demand increases, bringing about a price adjustment. A moderate seasonal increase in milk prices is expected during the second half of the year. For all of 1999, farm milk prices are projected to be about \$14.00 to \$14.75 per cwt., down about \$1.00 from the 1998 record but still much higher than in most of the nineties. A faster-than-expected expansion in milk output would, of course, reduce 1999 milk prices. Retail dairy product prices are expected to peak during the first half of 1999 and then decline slightly or hold about steady during the second half. Compared with a year earlier, retail prices probably will be 6 to 7 percent higher during the first half, with the increases diminishing substantially in the second. The farm-retail price spread is expected to grow considerably after the 4-percent decrease in 1998.

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

Source: "Livestock, Dairy, and Poultry Monthly", LDP-M-56, February 24, 1999, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

ANNUAL TOTAL U.S. MILK PRODUCTION

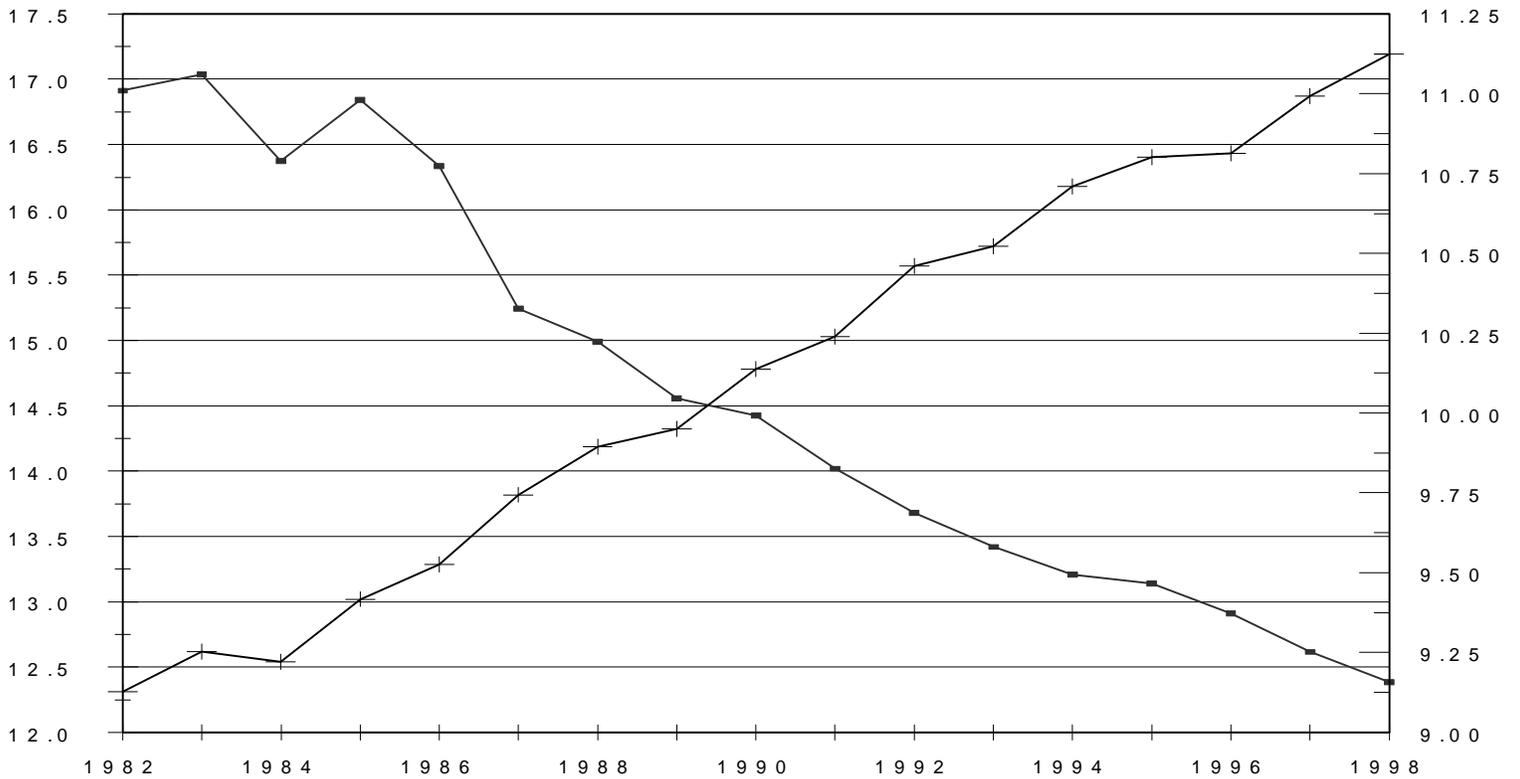
BILLION POUNDS



MILK PRODUCTION PER COW
MILK COW NUMBERS

THOUSAND POUNDS

MILLION HEAD



C O W #	L B S / C O W
—■—	—+—

CCC PURCHASES OF DAIRY PRODUCTS

	FOR THE WEEK OF MARCH 1 - 5, 1999				CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL	CONTRACT	ADJUSTED	SINCE	SAME PERIOD	PERIOD ENDING	SAME PERIOD	
	PURCHASES	ADJUSTMENTS	PURCHASES	10/01/98	LAST YEAR	02/26/99	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	3,793,992	-0-	3,793,992	16,508,985	36,129,525	-0-	-0-	
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
TOTAL	3,793,992	-0-	3,793,992	16,508,985	36,129,525	-0-	-0-	

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

	MILKFAT* BASIS	SKIM** SOLIDS	COMPARABLE WEEK IN 1998 =	MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF MARCH 1 - 5, 1999 =	0.8	44.2		0.7	36.4
CUMULATIVE SINCE OCTOBER 1, 1998 =	3.6	192.2	CUMULATIVE SAME PERIOD LAST YEAR =	7.9	420.5
CUMULATIVE JANUARY 1 - MARCH 5, 1999 =	3.6	191.0	COMPARABLE CALENDAR YEAR 1998 =	6.2	329.1

* 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)				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-	1,569,972	0.0
WEST	-0-	-0-	-0-	-0-	16,508,985	34,449,378	100.0	95.4
EAST	-0-	-0-	-0-	-0-	-0-	110,175	0.0	0.3
TOTAL	-0-	-0-	-0-	-0-	16,508,985	36,129,525	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1999

MANUFACTURING MILK: Average Test 3.67% - \$9.90 per cwt.; 3.5% - \$9.80

DOLLARS PER POUND

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

CHEESE: 40 & 60# Blocks \$1.1000; 500# Barrels \$1.0700; Process American 5# \$1.1525; Process American 2# \$1.1925

NONFAT DRY MILK: Nonfortified \$1.0100; Fortified \$1.0200; Instant \$1.1675

Regions*	CCC ADJUSTED PURCHASES SINCE 10/1/98 AND SAME PERIOD LAST YEAR (POUNDS)										MILK EQUIVALENT	
	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL	% DAIRY OF ALL
1999-Dairy cows HD (000)	0.2	0.9	6.4	6.3	19.6	2.7	3.1	0.8	10.7	3.3	54.0	317.1
1998-Dairy cows HD (000)	0.3	1.6	6.3	5.4	19.1	3.5	3.1	1.3	10.9	3.2	54.7	415.6
1999-All cows HD (000)	0.3	1.1	8.8	16.1	27.8	15.7	18.9	4.5	11.7	6.7	111.5	794.3
1998-All cows HD (000)	0.3	1.6	8.7	15.9	27.7	15.3	17.4	6.5	11.9	6.6	112.0	861.6

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.

1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CCC MARKET PRICE PURCHASES 3/3

APRIL DELIVERY

MOZZARELLA
LITE SHREDDED 120,960 \$1.5475-1.5660

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/98 = 41,342,511

THIS COMPARES TO 41,107,285 DURING THE COMPARABLE PERIOD LAST YEAR.

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	17.34

16.27

1999