

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE CASH MARKETS (6/4):**

BUTTER: Grade AA closed at \$1.4950. The weekly average for Grade AA is \$1.5025 (+.0525).

CHEESE: Barrels closed at \$1.2800 and blocks at \$1.2975. The weekly average for barrels is \$1.2838 (+.0453) and blocks, \$1.2969 (+.0324).

NONFAT DRY MILK: Extra Grade closed at \$1.0100 and Grade A at \$1.0500. The weekly average for Extra Grade is \$1.0100 (N.C.) and Grade A is \$1.0500 (N.C.).

BUTTER: The market tone is somewhat unsettled. Following last Friday's close (\$1.53), bulk offerings became plentiful as producers and speculators were willing to sell some of their stored butter. In some cases, heavy offerings have been made available. So far this week and in light of growing offers, demand for bulk has been just fair. This follows the Memorial Day weekend when churning activity was quite heavy and fresh butter was available. Churning slowed early this week when Class II cream users restarted operations after the holiday weekend. Buyers appear a little more hesitant as current market conditions do not suggest additional price increases.

CHEESE: The cheese market is unsettled to weak. Many traders thought that recent cash price increases were more than necessary when cheese production is right at/near the annual peak. Orders remain fairly good, particularly from food service and institutional accounts. Process interest is seasonally good. Most packagers/processors were operating on reduced schedules and needed less bulk product in their facilities. Offerings are steady to heavier.

FLUID MILK: Class I use continues to slide as more schools shutter for the summer. Most manufacturing plants operated on extended schedules over the holiday weekend, but while volumes were up from recent weeks, offerings were absorbed with a minimum of difficulty. Most handlers found manufacturing space early, which helped reduce problems. Milk production continues to reach, and decline from, the annual peak levels in more areas of the country. Warm, often humid, summer weather is contributing to recent declines in receipts. Many ice cream operations were closed one or more days

over the holiday weekend, causing extra volumes of cream to back up, but supplies quickly tightened after the weekend.

DRY PRODUCTS: Most powder markets remain steady to mostly weak with the exception of lactose that is fully steady to firm. Many dryers operated at capacity over the holiday to clear surplus milk offerings. Producers continue to clear surplus NDM to the CCC.

CCC: During the holiday abbreviated week of May 31 - June 4, CCC net purchases of NDM totaled 11,945,993 pounds, the largest since mid-April.

BASIC FORMULA PRICE (AMS): The basic formula price (BFP) for May 1999 is \$11.26 per cwt. at 3.5% test. The BFP is \$0.55 lower than last month, but \$0.38 higher than May 1998. The BFP is the base month M/W price of \$11.69, minus a change of \$0.43, which is the change in the butter/powder/cheese formula from April to May. For May, the NASS average cheese price was \$1.2661. The butterfat differential is \$0.111. Class III-A prices are: for Federal Orders 1 & 2, \$11.50; for Order 4, \$11.52; for Orders 124, 131, & 135, \$11.43; for other affected orders, \$11.62.

DAIRY SITUATION AND OUTLOOK (ERS, AMS): The dairy industry has undergone a major price adjustment, as large gains in milk production finally overcame very strong demand for dairy products. With expansion momentum already established in milk production, inexpensive feed is likely to lead to large output gains throughout 1999. Although dairy demand is expected to continue to reflect the strength of the general economy, commercial use is not likely to absorb supplies except at prices far below the 1998 records. January-March milk output rose more than 3% from a year earlier, as the lagged effects of relatively favorable 1996-98 returns trimmed declines in milk cow numbers and boosted milk per cow. Milk cow numbers were down 0.4% from a year earlier and only slightly below the third quarter of 1998. Limited seasonal rises in the Basic Formula Price (BFP) during the second half may be the strongest effect of the surge in milk production. For the year, the BFP is expected to average below \$12.00 per cwt., down sharply from 1998's \$14.20.

****SPECIALS THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY MAY 31	TUESDAY JUNE 1	WEDNESDAY JUNE 2	THURSDAY JUNE 3	FRIDAY JUNE 4	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	CLOSED	\$1.2950 (-.0025)	\$1.2800 (-.0150)	\$1.2800 (N.C.)	\$1.2800 (N.C.)	-.0175	\$1.2838 (+.0453)
40# BLOCKS	CLOSED	\$1.3000 (N.C.)	\$1.2925 (-.0075)	\$1.2975 (+.0050)	\$1.2975 (N.C.)	-.0025	\$1.2969 (+.0324)
NONFAT DRY MILK EXTRA GRADE	CLOSED	\$1.0100 (N.C.)	\$1.0100 (N.C.)	\$1.0100 (N.C.)	\$1.0100 (N.C.)	N.C.	\$1.0100 (N.C.)
GRADE A	CLOSED	\$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	CLOSED	-----	\$1.5100 (-.0200)	-----	\$1.4950 (-.0150)	-.0350	\$1.5025 (+.0525)

*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 - May 31 - June 4, 1999

MONDAY, MAY 31, 1999

HOLIDAY - EXCHANGE CLOSED

TUESDAY, JUNE 1, 1999

CHEESE -- SALES: 8 CARS BARRELS: 3 @ \$1.2975, 1 @ \$1.2950, 1 @ \$1.2900, 1 @ \$1.2975, 1 @ \$1.2900, 1 @ \$1.2975; 5 CARS 40# BLOCKS @ \$1.3000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 4 CARS BARRELS: 1 @ \$1.2950, 3 @ \$1.2975; 3 CARS 40# BLOCKS @ \$1.3000
NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JUNE 2, 1999

CHEESE -- SALES: 22 CARS BARRELS: 1 @ \$1.2850, 1 @ \$1.2950, 4 @ \$1.2900, 9 @ \$1.2925, 1 @ \$1.2825, 1 @ \$1.2900, 1 @ \$1.2725, 4 @ \$1.2850; 15 CARS 40# BLOCKS: 1 @ \$1.2900, 1 @ \$1.2850, 7 @ \$1.2875, 1 @ \$1.2850, 1 @ \$1.2875, 1 @ \$1.2900, 1 @ \$1.2950, 2 @ \$1.2975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 7 CARS BARRELS: 1 @ \$1.2800, 5 @ \$1.2875, 1 @ \$1.2925; 6 CARS 40# BLOCKS: 1 @ \$1.2925, 5 @ \$1.2975

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

BUTTER -- SALES: 7 CARS GRADE AA: 3 @ \$1.5300, 1 @ \$1.4800, 1 @ \$1.4900, 1 @ \$1.5000, 1 @ \$1.5100; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 11 CARS GRADE AA: 1 @ \$1.5200, 1 @ \$1.5250, 1 @ \$1.5275, 3 @ \$1.5300, 1 @ \$1.5400, 1 @ \$1.5500, 2 @ \$1.5900, 1 @ \$1.6300

THURSDAY, JUNE 3, 1999

CHEESE -- SALES: 12 CARS 40# BLOCKS: 10 @ \$1.2925, 1 @ \$1.2950, 1 @ \$1.2975; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS @ \$1.2800

NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR EXTRA GRADE @ \$1.0200

FRIDAY, JUNE 4, 1999

CHEESE -- SALES: 3 CARS BARRELS: 1 @ \$1.2575, 2 @ \$1.2975, 6 CARS 40# BLOCKS: 2 @ \$1.2800, 3 @ \$1.2900, 1 @ \$1.3000
BIDS UNFILLED: 6 CARS BARRELS: 2 @ \$1.2975, 1 @ \$1.2575, 3 @ \$1.2375, 9 CARS 40# BLOCKS: 2 @ \$1.2900, 2 @ \$1.2800, 1 @ \$1.2725, 1 @ \$1.2700, 2 @ \$1.2600, 1 @ \$1.2500; OFFERS UNCOVERED: NONE

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

BUTTER -- SALES: 11 CARS GRADE AA: 2 @ \$1.4700, 1 @ \$1.4650, 2 @ \$1.4600, 1 @ \$1.4750, 1 @ \$1.4775, 1 @ \$1.4800, 1 @ \$1.4850, 1 @ \$1.4900, 1 @ \$1.4950; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.4750, 1 @ \$1.4700; OFFERS UNCOVERED: 9 CARS GRADE AA: 1 @ \$1.5000, 1 @ \$1.5075, 4 @ \$1.5100, 2 @ \$1.5200, 1 @ \$1.6000

BUTTER MARKETS

NORTHEAST

The market tone remains firm and prices at the CME have risen dramatically during the past four to five weeks. Since April 30, the price at the CME has advanced from \$0.9700 to \$1.5300, a jump of 56 cents during the month of May. This is most unusual for this time of year when milk supplies are increasing, but market/price volatility has been commonplace for the past few years. Churning activity has been lighter as Class II cream sales improve, but the Memorial Day weekend was expected to make more milk and cream available to butter/powder plants. Print stocks are adequate for the current demand, but sharply higher prices do little to encourage retail sales. Food service orders are reaching summer levels now that most resort area outlets and restaurants have reopened for summer. Demand for bulk butter is slower now that prices are so high, but current prices may encourage some speculators to move some of their storage butter. Eastern suppliers continue to move bulk at 3 - 5 1/2 cents over the CME weekly average.

CENTRAL

The butter market is firm, but increasing prices have had an effect. During May, the closing price for AA butter at the CME increased 56 cents. Since closing at \$1.53 on the last trading day of May, contacts report that offerings of bulk butter have increased significantly. Where bulk was relatively tight and held with confidence early in May, producers, distributors, and/or speculators are now offering storage butter. Current production levels were heavier during the holiday weekend, but slowing as Class II cream needs are being refilled early this week. Reportedly, fresh butter stocks are barely able to meet print needs. Some contacts

wonder if the high prices and increasing offerings may have a dampening effect on sales. Retail movement is generally fair, but prices had been moving lower before May's run-up in prices. Food service orders were improved before Memorial Day and should hold at summertime levels in the resort/tourist areas.

WEST

Butter demand is fair to good for current production with limited offerings. Production was higher over the holiday weekend, but eased as the week progressed. Cream demand increased from ice cream producers, especially in California where June Class 3 prices dropped sharply. Additional offerings of butter in cold storage are being shown. Sales of this butter are slow to develop with concerns from both buyers and sellers expressed. Food service orders are seasonally strong. Retail feature activity is occurring in parts of the region. Retail demand is expected to good because of the current pricing levels, but the recent increases are expected to limit additional growth. Bulk butter differentials are steady to firmer.

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

DUE TO A LACK OF CONSENSUS ON THE PART OF PRODUCERS AND BUYERS ABOUT THE BASING POINT FOR BULK BUTTER SALES (PREVIOUS FRIDAY'S CLOSE, PREVIOUS WEEK'S AVERAGE, DATE OF SALE, DATE OF SHIPMENT, ETC.), DAIRY MARKET NEWS IS TEMPORARILY SUSPENDING THE REPORTING OF PREMIUMS OR DISCOUNTS.

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

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 39% MOISTURE			
MAY 29	1.2113 5,307,966	1.1736 12,868,809	1.0083 21,718,313	1.2946 4,306,580	0.1675 5,335,341

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

CHEESE MARKETS

NORTHEAST

Price are 5 1/2 - 6 cents higher on process and natural cheddar items; unchanged on Swiss. The market tone is firm, but contacts still wonder why cheese prices have risen so quickly during the spring when milk supplies are at their seasonal peak. Production levels are heavy as most Eastern cheese plants were full before and during the Memorial Day weekend. Demand for cheese is fair to good. With the reopening of resort outlets and the beginning of June Dairy Month promotions, demand for cheese is fairly brisk. However, some of this demand is being offset by colleges moving to summer schedules which do impact mozzarella and process cheese consumption.

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

Cheddar 10# Prints	:	1.3000-1.7875
Cheddar Single Daisies	:	1.2725-1.7875
Cheddar 40# Block	:	1.4425-1.5875
Process 5# Loaf	:	1.4550-1.6050
Process 5# Sliced	:	1.4750-1.7450
Muenster	:	1.4800-1.7825
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is firm, though unsettled. Recent cash price increases (10.75 - 12.25 cents) on the Chicago Mercantile Exchange has raised concerns by some traders that it might be too much too fast, especially right at/or near the peak production period in the upper Midwest. Current offerings range from tight to available, depending on plant and variety. Current orders remain steady, though new interest is still somewhat slow coming off the holiday weekend. Very good seasonal demand from fast food and tourist area accounts has been aiding process sales. Cheese production was heavy over the long holiday weekend. The closing of schools for summer is causing extra volumes of surplus milk to back into cheese production. Cheese yields are steady to lower seasonally.

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

Process American 5# Loaf	:	1.4175-1.6200
Brick And/Or Muenster 5#	:	1.6200-1.7325
Cheddar 40# Block	:	1.5250-2.1150
Monterey Jack 10#	:	1.7150-2.1150
Blue 5#	:	1.8600-2.2000
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.5925-2.2150
Grade A Swiss Cuts 6 - 9#	:	2.3400-2.6850

MIDWEST COMMODITY CHEDDAR

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

CHEDDAR STYLES	:	MAY 31 - JUNE 4, 1999
BARRELS*	:	\$1.2375 - 1.2975 (NOMINAL)
	:	(\$.0675) (.0750)
40# BLOCKS	:	\$1.2900 - 1.3300 (NOMINAL)
	:	(\$.0800) (.0850)

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

WEST

Natural and process cheese prices increased, following trading directions at the CME. The upturn in the CME markets surprised some contacts more by the level of increases than by the direction. Both barrel and block prices eased early this week. Demand for process is indicated to be good, influenced by steady food service orders, promotional restaurant chain offers, and good ingredient usage. Mozzarella prices are firm in moderate trading. Swiss prices are steady and orders continue to clear current offerings. Cheese production was often higher to handle additional milk over the holiday weekend, but no problems were reported.

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

Process 5# Loaf	:	1.3900-1.6450
Cheddar 40# Block	:	1.3850-1.5250
Cheddar 10# Cuts	:	1.5750-1.7850
Monterey Jack 10#	:	1.5950-1.7475
Grade A Swiss Cuts 6 - 9#	:	2.2900-2.4200

FOREIGN

Domestic prices are again higher with imported styles reported as unchanged. Demand for foreign type cheeses is seasonally fair. Reports out of the EU show that cheese production during January and February are down from year-earlier levels. For the EU-12, output is 1.1% less than the same period in 1998. The largest percentage drops were seen in Ireland (-34.9%) and the Netherlands (-7.6%). The biggest percentage gains were in Spain (+23.2%) and Italy (+7.0%).

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	1.6350-2.2450*
Gorgonzola	:	3.2400-5.9400	2.2900-2.4900*
Parmesan (Italy)	:	TFEWR	3.0450-3.0750*
Romano (Italy)	:	2.1000-2.9000	-0-
Provolone (Italy)	:	3.4400-5.5000	1.6350-1.9200*
Romano (Cows Milk)	:	-0-	2.8150-5.0450*
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-

* = Price change.

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

		BUTTER	: CHEESE
			:
05/31/99	16,477	:	120,996
05/01/99	17,142	:	115,299
CHANGE	-665	:	5,697
% CHANGE	-4	:	5

FLUID MILK AND CREAM

EAST

Milk production is dropping at varying rates in most sections of the East. Hot, dry weather blankets much of the Southeast and very warm temperatures hit the Northeast during the Memorial Day weekend. It has been and is very dry in the Middle Atlantic area and milk production is moving lower. In New York and New England, the milk flow is at or just past the peak. Milk output is dropping rather quickly in parts of Texas and most other Gulf Coast States. Florida's milk flow is falling, but not as quickly as in surrounding states. Their milk supply is long, but fewer loads have to be shipped out to balance supplies. This week, Florida handlers moved about 30 loads out of state for processing. This compares to zero loads a year ago and 50-60 loads last week. Contacts in all parts of the region report heavy, but easily manageable supplies of surplus milk over the long holiday weekend. Many plants were cleaned up before the holiday and able to process all the weekend milk. Some carry over was reported, but most plants were caught up by midweek. Bottled milk demand is slow to fair. Some schools have closed for summer while others stay in session until mid or late June. Currently, surplus milk volumes are about steady. The condensed skim market is fairly good with improved interest. Prices are steady to lower as competition keeps prices in the lower portion of the range. In instances, the increasing butter price allows some condensed skim suppliers to adjust wet solids' prices lower. However, other suppliers are holding condensed skim prices as best they can. Prices are fairly competitive with NDM which moves more liquid which, in turn, eases the pressure on dryers. The fluid cream market is quite firm. The holiday weekend did see some excess loads looking for a home, but these cleaned up nicely and suppliers were reporting tight to balanced supplies early this week. Ice cream plants are back on line after an extra day of down time and the warmer weather is helping sales. Soft serve mix sales have improved as warm weather and summer vacation season gets under way. Churning activity is moderate.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

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

F.O.B. Producing Plants: Northeast	-	1.8850-2.0300
Delivered Equivalent Atlanta	-	1.8560-2.0300 M 1.9140-1.9720
F.O.B. Producing Plants: Upper Midwest	-	1.9140-2.0155

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

F.O.B. Producing Plants: Northeast	-	.9000-1.1000
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MIDWEST

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
MAY 28 - JUNE 3, 1999	0
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1998	0

Class I interest is steady to lighter, with many bottlers on odd schedules early to allow for the holiday. Also, more schools are closing for the summer which is reducing Class I usage. Some regular and June Dairy Month promotional activity on cottage cheese, sour and whipped cream is utilizing some extra volumes of milk and cream. Surplus milk volumes were higher over the holiday weekend, but volumes were not nearly as burdensome as anticipated and most loads were placed before the actual weekend. Reported loads were sold from about \$1.50 under class in the Wisconsin and Minnesota area, up to class delivered. Prices over in the Eastern side of the region were lower but supplies dried up quickly. Surplus milk prices since the weekend, have inched

back up to right around flat class/MCP. Reported cream prices are sharply higher reflecting last week's increases in the Chicago cash butter market prices. Ice cream production is seasonally heavy though many operations were closed one or more days over the holiday weekend. Some cream offerings from the West are available, but concerns are building about the availability of trucks/truckers to move product, especially in an abbreviated week. Milk intakes are generally increasing through most of the upper Midwest though peak levels have likely occurred a little further south. Manufacturing plants in the region were able to handle some outside milk supplies but volumes were not as burdensome from outside the region as earlier expected. Warmer temperatures (well into the 80s) and humidity caused a few plants to notice some temporary dips in receipts, but levels rebounded quickly when the temperatures cooled. In the St. Louis area, warmer temperatures and increased humidity have caused milk receipts to start the post peak declines on a more consistent basis. A lot of top quality (weeds not withstanding) forage was harvested in the last week and a number of fields were quickly worked up for silage corn.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	MAY 27 - JUNE 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.00- 41.00	\$ 35.00- 40.00
REPLACEMENT HEIFER CALVES	\$210.00-265.00	\$115.00-150.00

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

	MAY 27 - JUNE 2	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 44.00	\$ 35.00- 39.25

WEST

The May 4a price (butter/powder) in California is \$11.55, up 31 cents from April, but down \$1.99 from last May. The 4b price (cheese) is \$10.68, 80 cents lower than last month but 24 cents higher than last year. Milk production in the Southwest continues to outpace 1998 levels. In California, areas in the south and central valley are seeing volumes come off peak levels. Farther north, production is still increasing. Temperatures have been bouncing around, being hot for a few days and then cooling off. Likewise, in Arizona, no extended stretches of high temperatures have developed to knock production sharply lower. Producers there also are seeing milk come off peak levels. In New Mexico, heavy rains in the milk producing areas have impacted milk output. Hay drying and quality have been affected by the rains. Premium quality hay prices are higher across the Southwest and dairy producers are actively buying. Cream markets are mixed. California June Class 3 prices are almost 27 cents lower and more cream is now going into ice cream production to take advantage of the price drop. The butter price continued to increase last week although cream interest from butter makers may have subsided a bit as the industry assesses butter price/needs/ availability. Milk production remains strong in the Pacific Northwest and is indicated to be increasing toward seasonal high levels. Some areas are noting dryer conditions, while others are seeing rains continue. Hay harvesting has been delayed because of the slow growth in areas and the yields are lighter in harvested fields. Hay prices are higher with export interest good for top quality alfalfa. Contacts report no problems handling milk over the holiday weekend although many plants were near capacity. Milk volumes are heavy in the Mountain States. Volumes of milk from other areas continue to drop seasonally. Plants were able to handle local supplies of milk efficiently over the holiday. Rains and cool weather are impacting hay harvesting although some is being chopped. Wet conditions are affecting feedlot conditions.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 06/03/99 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 unchanged to lower on a weak market. Abundant milk supplies were aided by an extended holiday weekend that kept most dryers at capacity levels. Demand continues slow with less movement noted due to the short work week. Product is being offered to the government by Western and Midwestern sources. Some producers believe that milk production may have peaked as milk intakes have somewhat leveled off. Others await weather changes before anticipating any differences in NDM production. Inventories are adequate to ample and building.

Includes EXTRA GRADE and GRADE A, low and medium heat
NONFAT DRY MILK: 1.0000 - 1.0375 MOSTLY: 1.0100 - 1.0150

DRY BUTTERMILK - CENTRAL

Prices are unchanged on a weak market. Producers still prefer to move buttermilk as condensed rather than drying it at a cost. Movement of buttermilk into ice cream is steady on condensed and minimal on dry product. Demand remains slow. Traders appear uninterested in moving buttermilk. Inventories are mostly adequate to fully adequate. Most buyers are comfortable in holding product rather than discounting prices.

BUTTERMILK: .6800 - .7400

DRY WHEY - CENTRAL

Prices are unchanged to higher on a steady to weak market. Some producers are sold out of product and cannot meet spot demand due to an increased interest in baking blends, drink mixes, and ice cream. Others see no changes in the market as milk and cheese production continue to increase. Some buyers believe this could be the bottom of the market and are filling inventories. Condensed product remains burdensome with some suppliers offering to pay shipping in order to dispense of it. Producers with contracts are in the best position. Inventories are mostly in balance with current interest. Drying schedules are heavy as many plants continue to operate at capacity levels.

NONHYGROSCOPIC: .1500 - .1875 MOSTLY: .1675 - .1775

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged to higher on milk replacer and unchanged on the balance of items. Higher livestock prices encourage animal feed movement. Some trade is stirred by the notion that prices may have bottomed. Movement is slow to fair and the market tone is weak. Inventories are mostly in balance with current demand. Demand for veal is light to moderate on a generally steady market.

MILK REPLACER: .1400 - .1675
STANDARD: TFEWR
ROLLER GROUND: .1675 - .1825
DELACTOSE (Min. 20% protein): .2600 - .3150

LACTOSE - CENTRAL AND WEST

Prices are unchanged to higher on a fully steady to firm market. Lactose movement continues strong. Domestic, export, edible, and feed channels offer demand in excess of current supplies. Movement is at or mostly above the average for 80-100 mesh on the domestic market. Most producers report production at capacity levels. Off grade product is available and moving at prices higher than last week. Producers with the bulk of their sales based on contracts are still in the best position.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
EDIBLE: .1500 - .2300 MOSTLY: .1650 - .1700

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged to lower on a weak market. Less discounting is noted allowing some stability to the market. Movement is best in the Midwest into feed and process cheese facilities. Overall demand remains slow. Buyers seek prices below the range and producers are reluctant to lower prices. Inventories are adequate to fully adequate. Offerings are available at the lower end of the range. Condensed product, although still difficult to move, is less burdensome than last week. Off grade product is available at good discounts. Producers with contracts remain in the best position.

EXTRA GRADE 34% PROTEIN: .3800 - .4800 MOSTLY: .4500 - .4700

NONFAT DRY MILK - WEST

Nonfat dry milk prices are unchanged and the market tone remains weak. Drying schedules were heavy over the Memorial Holiday weekend, but plants were able to handle the increased volumes. Some milk is being moved from cheese plants to butter/powder facilities to take advantage of pricing. The run-up in the butter price provided the incentive, but with the rise in the cheese prices last week, the tilt is more even. Demand is fair for current needs. Buyers remain reluctant to buy beyond immediate needs. DEIP contracts are being negotiated and signed. Additional tonnage under reallocation have been committed and totaled 14,703 MT during May. With high production and the extended contract period, little if any impact is expected for domestic prices. Stocks remain heavy. Offerings to the CCC remain active to clear surplus NDM. During the week of May 24 - 28, CCC net purchases totaled 8,860,536 pounds of NDM.

Includes EXTRA GRADE and GRADE A
LOW/MEDIUM HEAT: .9700 - 1.0400 MOSTLY: .9800 - 1.0100
HIGH HEAT: 1.0200 - 1.0400

DRY BUTTERMILK - WEST

Buttermilk prices are holding mostly steady with some changes noted at the bottom end of the range, reflecting fewer discounted trades this week. Buying interest remains subdued at light levels. Demand is mainly stirred if prices are discounted. Drying was mixed over the holiday weekend, depending on churning activity and available dryer time. Buttermilk stocks are moderate to heavy.

BUTTERMILK: .6300 - .7000 MOSTLY: .6400 - .6600

DRY WHEY - WEST

Dry whey prices are steady to lower. The market remains weak. Domestic sales are lackluster, while exports are fair to good. Pricing for exports is becoming more competitive on a world basis and some contacts are expecting to fill upcoming tenders with US whey. Whey production continues seasonally active. Stocks are often heavier than desired, but producers continue to show reluctance to set inventory clearing prices. Competition with offerings from the Midwest is plying for customers. Feed account business is especially slow.

NONHYGROSCOPIC: .1600 - .1800 MOSTLY: .1650 - .1700

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended May 28, on powder sales of 12,920,649 pounds f.o.b. California manufacturing plants was \$1.0046 per pound. This compares to 10,260,492 pounds at \$1.0051 for the previous week ending May 21, 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

Prices are unchanged and the market tone remains weak. There was an unconfirmed report that a block of low heat powder moved slightly below the bottom of the range. Growing inventories are a major concern at some plants. Production was very heavy during the Memorial Day weekend, but good demand for condensed skim helped ease drying schedules. Milk supplies available to butter/powder plants are at or near the seasonal peak in the Northeast. Further south, milk production is dropping and surplus milk volumes appear to be well past the peak. Demand for NDM is slow to fair and often predicated on price as speculators/resellers look for the best deals. End users are not buying too far ahead as most do not foresee much change in supply and price for much of the summer. However, the possibility of a hot, dry summer is a concern to some users. New DEIP bids are being accepted for the reallocated volumes and some small DEIP contracts are being filled by Eastern producers.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:			
LOW/MEDIUM HEAT:	1.0000 - 1.0400	MOSTLY:	1.0100 - 1.0300
HIGH HEAT:	1.0400 - 1.1100	MOSTLY:	1.0400 - 1.0600
DELVD SOUTHEAST:			
ALL HEATS:	1.0300 - 1.1300		

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to lower and the market tone remains weak. Production levels are light to moderate and producer stocks are fairly well balanced. Demand is seldom better than fair. The holiday weekend did bring some increased churning activity, but much of the buttermilk was moved as liquid as dryer time was needed for skim.

F.O.B. NORTHEAST:	.6800 - .7300
DELVD SOUTHEAST:	.7100 - .7650

DRY WHOLE MILK - NATIONAL

Prices are higher as the rising butter/butterfat prices are reflected in dry whole milk prices. The market tone is unchanged. Production was down this week as most plants switched to making NDM as a way to process their holiday milk as quickly as possible. Plant stocks are closely balanced with the steady, slow spot domestic demand. Late in May, dry whole milk DEIP bids totaling 321 MT were accepted. This is part of the 7,500 MT reallocation announced early in May.

F.O.B. PRODUCING PLANT:	1.2000 - 1.3600
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DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH MAY 21, 1999
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	-- 125,513	MT# (274,501,359 LBS)
CHANGE	-- 5,496	MT (12,116,481 LBS)
WHOLE MILK POWDER	-- 5,324	MT* (11,737,290 LBS)
CHANGE	-- 321	MT (707,677 LBS)
CHEESE	-- 3,031	MT (6,682,143 LBS)
CHANGE	-- 20	MT (44,092 LBS)
BUTTERFAT	-- 395	MT (870,817 LBS)

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher. Contacts do note that there seems to be a little strength creeping back into the market. Traders note that producers are no longer offering discounts to stimulate sales. Apparently, they feel that prices are as low as they are going in this particular price cycle. Grade A whey is in the tightest supply position as most producers are sold out and have little or nothing available for spot sale. Extra Grade powder is available, but occasionally being held with a little more confidence. Demand is mostly steady. Production levels are little changed as most producers were already operating at or near capacity before the holiday weekend.

F.O.B. NORTHEAST:	EXTRA GRADE	.1650 - .1700
	USPH GRADE A	.1850 - .2050
DELVD SOUTHEAST:		.1700 - .2100

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. The market tone is unchanged, but contacts report fewer discounted offerings from producers and traders. Demand is little changed, but it appears that some producers are trying to hold prices at current levels. Some additional sales were noted as buyers may feel that prices are at the bottom of this particular cycle.

F.O.B. NORTHEAST:	MILK REPLACER	TFEWR
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EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production was heavier during the holiday weekend when more surplus milk was available. Demand is steady. The Kansas City Commodity office announced the purchase of canned evaporated milk under EVD-1, invitation 560, 561, and 562. They purchased 1,578,960 pounds under invitation 560 at \$.4196-.5419 per pound for delivery in July. Invitation 561 purchases total 1,468,920 pounds at \$.4196-.4842 per pound for August delivery. For invitation 562, purchases were 1,432,080 pounds at \$.4283-.4879 per pound for delivery in September 1999.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 33.00
Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein prices are unchanged for both price series. Market conditions remain consistent with recent weaker trends. Supplies of both acid and rennet are readily available for all contract commitments. Spot interest is seldom better than fair. Some renewed competition for business is developing.

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

RENNET:	1.8600 - 1.9500
ACID:	1.8400 - 1.9500

DEIP SUMMARY (continued)

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; Reallocated nonfat dry milk - 26,258 MT* and 20,000 MT; Reallocated whole milk powder - 7,500 MT; Reallocated cheese - 1,270 MT. * Current program-year allocations and reallocations have been filled. # FAS has combined NDM current program and reallocated tons. The three nonfat dry milk componets total 130,470 MT.

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

COMMODITY	REPORT NUMBER 18	REPORT NUMBER 19	REPORT NUMBER 20	REPORT NUMBER 21	REPORT NUMBER 22	1999	1998
	MAY 03 - 07	MAY 10 - 14	MAY 17 - 21	MAY 24 - 28	MAY 31	Average	Average
						or Total	or Total

BUTTER

WHOLESALE SELLING DIFFERENTIALS, F.O.B. - BULK - TRUCKLOAD QUANTITIES

Due to a lack of consensus on the part of producers and buyers about the basing point for bulk butter sales, (previous Friday's close, previous week's average, date of sale, date of shipment, etc), Dairy Market News is temporarily suspending the reporting of premiums or discounts.

CHEESE

MIDWEST COMMODITY CHEDDAR

-- Cheddar Barrel s	:: 1.2275 - 1.2500	:: 1.1900 - 1.2150	:: 1.1800 - 1.2050	:: 1.1700 - 1.2225	::	1.2075	1.2075
-- Cheddar 40# Blocks	:: 1.2875 - 1.3275	:: 1.2175 - 1.2600	:: 1.1825 - 1.2550	:: 1.2100 - 1.2450	::	1.2481	1.2295

WISCONSIN (WSP, Delivered, LTL)

-- Process American 5# Loaf	:: 1.4175 - 1.6800	:: 1.3950 - 1.6500	:: 1.3700 - 1.6200	:: 1.3600 - 1.6200	::	1.5141	1.5698
-- Brick And/Or Muenster 5#	:: 1.6800 - 1.7675	:: 1.6500 - 1.7300	:: 1.6200 - 1.6900	:: 1.6200 - 1.6775	::	1.6794	1.6311
-- Cheddar 40# Block	:: 1.5600 - 2.1150	:: 1.5225 - 2.1150	:: 1.4825 - 2.1150	:: 1.4700 - 2.1150	::	1.8119	1.6974
-- Monterey Jack 10#	:: 1.7500 - 2.1150	:: 1.7125 - 2.1150	:: 1.6725 - 2.1150	:: 1.6600 - 2.1150	::	1.9069	1.7974
-- Blue 5#	:: 1.8950 - 2.2400	:: 1.8575 - 2.2200	:: 1.8175 - 2.2000	:: 1.8050 - 2.2000	::	2.0294	1.9686
-- Mozzarella 5 - 6#	:: 1.6300 - 2.2150	:: 1.5925 - 2.2150	:: 1.5500 - 2.2150	:: 1.5375 - 2.2150	::	1.8963	1.7444
-- Grade A Swiss Cuts 6 - 9#	:: 2.3400 - 2.6850	:: 2.3400 - 2.6850	:: 2.3400 - 2.6850	:: 2.3400 - 2.6850	::	2.5125	2.3563

NORTHEAST (WSP, Delivered, LTL)

-- Cheddar 10# Prints	:: 1.2975 - 1.7850	:: 1.2600 - 1.7475	:: 1.2200 - 1.7075	:: 1.2450 - 1.7325	::	1.4994	1.4999
-- Cheddar Single Dai sies	:: 1.2700 - 1.7850	:: 1.2325 - 1.7475	:: 1.1925 - 1.7075	:: 1.2175 - 1.7325	::	1.4856	1.4874
-- Cheddar 40# Block	:: 1.4400 - 1.5850	:: 1.4025 - 1.5475	:: 1.3625 - 1.5075	:: 1.3875 - 1.5325	::	1.4706	1.4274
-- Process 5# Loaf	:: 1.4325 - 1.5825	:: 1.4125 - 1.5625	:: 1.3850 - 1.5350	:: 1.3950 - 1.5450	::	1.4813	1.4779
-- Process 5# Sliced	:: 1.4525 - 1.6825	:: 1.4325 - 1.6625	:: 1.4050 - 1.6650	:: 1.4150 - 1.6750	::	1.5488	1.5156
-- Muenster	:: 1.4775 - 1.7800	:: 1.4400 - 1.7425	:: 1.4000 - 1.7025	:: 1.4250 - 1.7275	::	1.5869	1.6226
-- 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	:: 1.3900 - 1.6450	:: 1.3700 - 1.6250	:: 1.3425 - 1.5975	:: 1.3325 - 1.5875	::	1.4863	1.5185
-- Cheddar 40# Block	:: 1.4200 - 1.5600	:: 1.3825 - 1.5225	:: 1.3425 - 1.4825	:: 1.3300 - 1.4700	::	1.4388	1.4999
-- Cheddar 10# Cuts	:: 1.6100 - 1.8200	:: 1.5725 - 1.7825	:: 1.5325 - 1.7425	:: 1.5200 - 1.7300	::	1.6638	1.6863
-- Monterey Jack 10#	:: 1.6300 - 1.7825	:: 1.5925 - 1.7450	:: 1.5525 - 1.7050	:: 1.5400 - 1.6925	::	1.6550	1.6533
-- Grade A Swiss Cuts 6 - 9#	:: 2.3000 - 2.4400	:: 2.2900 - 2.4200	:: 2.2900 - 2.4200	:: 2.2900 - 2.4200	::	2.3588	2.3250

FLUID AND DRY PRODUCTS

SPOT PRICES OF CLASS II CREAM (\$ per lb. butterfat)

Delivered Equivalent:							
-- Northeast	:: 1.2166 - 1.3432	:: 1.3186 - 1.4432	:: 1.4314 - 1.5433	:: 1.6228 - 1.7476	::	1.4583	2.0010
-- Atlanta	:: 1.2069 - 1.3140	:: 1.2875 - 1.4536	:: 1.4091 - 1.5656	:: 1.5978 - 1.7476	::	1.4478	1.9784
-- Upper Midwest	:: 1.2513 - 1.2750	:: 1.3602 - 1.4017	:: 1.5264 - 1.5321	:: 1.6228 - 1.7755	::	1.4681	1.9838

SPOT PRICES OF CONDENSED SKIM (\$ per lb. wet solids)

Delivered Equivalent:							
-- Northeast	:: 0.8400 - 1.2500	:: 0.9000 - 1.2500	:: 0.9000 - 1.2000	:: 0.9000 - 1.2000	::	1.0550	1.0008

WISCONSIN FLUID MILK SHIPMENTS

-- Loads Shipped from Wisconsin Shipping Points	:: 0	:: 0	:: 0	:: 0	::	0	0
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NATIONAL EVAPORATED MILK (\$ per Case)

(Case - 48 - 12 Fluid oz cans)							
-- Delivered Major U.S. Cities	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	:: 22.0000 - 33.0000	::	27.5000	27.7500

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

COMMODITY	REPORT NUMBER 18	REPORT NUMBER 19	REPORT NUMBER 20	REPORT NUMBER 21	REPORT NUMBER 22	1999	1998
	MAY 03 - 07	MAY 10 - 14	MAY 17 - 21	MAY 24 - 28	MAY 31	or Total	or Total
NONFAT DRY MILK							
-- Central (f.o.b.)							
-- Low/Medium Heat	:: 1.0100 - 1.0375 ::	1.0075 - 1.0375 ::	1.0075 - 1.0375 ::	1.0075 - 1.0375 ::		:: 1.0228	: N.A.
-- Mostly	:: 1.0100 - 1.0150 ::	1.0100 - 1.0150 ::	1.0100 - 1.0150 ::	1.0100 - 1.0150 ::		:: 1.0125	: N.A.
-- West (f.o.b.)							
-- Low/Medium Heat	:: 0.9700 - 1.0200 ::	0.9500 - 1.0400 ::	0.9700 - 1.0400 ::	0.9700 - 1.0400 ::		:: 1.0000	: 1.0223
-- Mostly	:: 0.9900 - 1.0100 ::	0.9700 - 1.0100 ::	0.9700 - 1.0100 ::	0.9800 - 1.0100 ::		:: 0.9938	: 1.0250
-- High Heat	:: 1.0300 - 1.0400 ::	1.0300 - 1.0400 ::	1.0200 - 1.0400 ::	1.0200 - 1.0400 ::		:: 1.0325	: 1.0500
-- Northeast (f.o.b.)							
-- Low/Medium Heat	:: 1.0000 - 1.0600 ::	1.0000 - 1.0600 ::	1.0000 - 1.0400 ::	1.0000 - 1.0400 ::		:: 1.0250	: N.A.
-- Mostly	:: 1.0100 - 1.0300 ::	1.0100 - 1.0300 ::	1.0100 - 1.0300 ::	1.0100 - 1.0300 ::		:: 1.0200	: N.A.
-- High Heat	:: 1.0400 - 1.1300 ::	1.0300 - 1.1100 ::	1.0400 - 1.1100 ::	1.0400 - 1.1100 ::		:: 1.0763	: N.A.
-- Mostly	:: 1.0600 - 1.0900 ::	1.0400 - 1.0600 ::	1.0400 - 1.0600 ::	1.0400 - 1.0600 ::		:: 1.0563	: N.A.
-- Southeast (Del vd)							
-- Extra & Grade A	:: 1.0350 - 1.1300 ::	1.0300 - 1.1300 ::	1.0300 - 1.1300 ::	1.0300 - 1.1300 ::		:: 1.0806	: 1.0688
WHEY POWDER (Nonhygroscopic)							
-- Central (f.o.b.)	:: 0.1400 - 0.1850 ::	0.1400 - 0.1850 ::	0.1450 - 0.1850 ::	0.1450 - 0.1850 ::		:: 0.1638	: 0.2303
-- Mostly	:: 0.1700 - 0.1775 ::	0.1675 - 0.1775 ::	0.1675 - 0.1775 ::	0.1675 - 0.1775 ::		:: 0.1728	: 0.2265
-- West (f.o.b.)	:: 0.1650 - 0.1950 ::	0.1650 - 0.1850 ::	0.1600 - 0.1825 ::	0.1600 - 0.1875 ::		:: 0.1750	: 0.2287
-- Mostly	:: 0.1700 - 0.1775 ::	0.1700 - 0.1750 ::	0.1675 - 0.1725 ::	0.1650 - 0.1725 ::		:: 0.1713	: 0.2271
-- Northeast Extra Grade (f.o.b.)	:: 0.1550 - 0.1700 ::	0.1550 - 0.1700 ::	0.1550 - 0.1700 ::	0.1600 - 0.1700 ::		:: 0.1631	: 0.2259
-- Northeast Usph Grade A(f.o.b.)	:: 0.1850 - 0.1925 ::	0.1850 - 0.1925 ::	0.1850 - 0.1925 ::	0.1850 - 0.1925 ::		:: 0.1888	: 0.2399
-- Southeast Extra Grade (Del vd)	:: 0.1700 - 0.2100 ::	0.1700 - 0.2100 ::	0.1700 - 0.2100 ::	0.1700 - 0.2100 ::		:: 0.1900	: 0.2527
WHEY PROTEIN CONCENTRATE							
-- Central And West (f.o.b.)							
-- Extra Grade 34% Protein	:: 0.4050 - 0.4750 ::	0.4050 - 0.4750 ::	0.4000 - 0.4800 ::	0.4000 - 0.4800 ::		:: 0.4400	: 0.5930
-- Mostly	:: 0.4500 - 0.4700 ::	0.4500 - 0.4700 ::	0.4500 - 0.4700 ::	0.4500 - 0.4700 ::		:: 0.4600	: 0.5998
ANIMAL FEED - WHEY							
-- Central (f.o.b.)							
-- Milk Replacer	:: 0.1200 - 0.1675 ::	0.1300 - 0.1675 ::	0.1300 - 0.1675 ::	0.1300 - 0.1675 ::		:: 0.1475	: 0.1998
-- Standard	:: TFEWR ::	TFEWR ::	TFEWR ::	TFEWR ::		:: TFEWR	: 0.1873
-- Roller Ground	:: 0.1700 - 0.1900 ::	0.1675 - 0.1825 ::	0.1675 - 0.1825 ::	0.1675 - 0.1825 ::		:: 0.1763	: 0.2425
-- Delactose	:: 0.2600 - 0.3250 ::	0.2600 - 0.3150 ::	0.2600 - 0.3150 ::	0.2600 - 0.3150 ::		:: 0.2888	: 0.3538
-- Northeast (f.o.b.)							
-- Milk Replacer	:: TFEWR ::	TFEWR ::	TFEWR ::	TFEWR ::		:: TFEWR	: TFEWR
BUTTERMILK (Min. 30% protein)							
-- Central (f.o.b.)	:: 0.6800 - 0.7400 ::	0.6800 - 0.7400 ::	0.6800 - 0.7400 ::	0.6800 - 0.7400 ::		:: 0.7100	: 0.9500
-- West (f.o.b.)	:: 0.6500 - 0.7000 ::	0.6400 - 0.7000 ::	0.6400 - 0.7000 ::	0.6225 - 0.7000 ::		:: 0.6691	: 0.9200
-- Mostly	:: 0.6600 - 0.6700 ::	0.6400 - 0.6600 ::	0.6400 - 0.6600 ::	0.6400 - 0.6600 ::		:: 0.6538	: 0.9200
-- Northeast (f.o.b.)	:: 0.6900 - 0.7200 ::	0.6900 - 0.7200 ::	0.6900 - 0.7300 ::	0.6900 - 0.7300 ::		:: 0.7075	: 0.9500
-- Southeast (Del vd)	:: 0.7100 - 0.7650 ::	0.7100 - 0.7650 ::	0.7100 - 0.7650 ::	0.7100 - 0.7650 ::		:: 0.7375	: 0.9713
WHOLE MILK POWDER							
-- National							
-- National (f.o.b.)	:: 1.1300 - 1.3550 ::	1.1300 - 1.3575 ::	1.1300 - 1.3575 ::	1.1500 - 1.3575 ::		:: 1.2459	: 1.2961
LACTOSE							
-- Central And West (f.o.b.)	:: 0.1500 - 0.2050 ::	0.1500 - 0.2050 ::	0.1500 - 0.2050 ::	0.1500 - 0.2050 ::		:: 0.1775	: 0.2200
-- Mostly	:: 0.1600 - 0.1700 ::	0.1600 - 0.1700 ::	0.1600 - 0.1700 ::	0.1600 - 0.1700 ::		:: 0.1650	: 0.2105
CASEIN - Edible - National (f.o.b.)							
-- Nonrestricted - Rennet	:: 1.8600 - 1.9500 ::	1.8600 - 1.9500 ::	1.8600 - 1.9500 ::	1.8600 - 1.9500 ::		:: 1.9050	: 2.1178
-- Nonrestricted - Acid	:: 1.8400 - 1.9500 ::	1.8400 - 1.9500 ::	1.8400 - 1.9500 ::	1.8400 - 1.9500 ::		:: 1.8950	: 2.0500

1/ Prices for all products reported once a week 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.

CHICAGO MERCANTILE EXCHANGE AVERAGES FOR MAY 1999

COMMODITY	REPORT NUMBER 18: MAY 3 - 7	REPORT NUMBER 19: MAY 10 - 14	REPORT NUMBER 20: MAY 17 - 21	REPORT NUMBER 21: MAY 24 - 28	REPORT NUMBER 22: MAY 31	1999 * Average	1998 * Monthly Average
BUTTER*							
-- GRADE AA							
--Monday	1.0100	1.0725	1.1925	1.3600			
--Tuesday							
--Wednesday	1.0325	1.0900	1.2275	1.4600			
--Thursday							
--Friday	1.0725	1.1925	1.3250	1.5300		#	
--Weekly Average**	1.0383	1.1183	1.2483	1.4500			
CHEESE*							
-- BARRELS							
--Monday	1.2300	1.2000	1.1750	1.2100			
--Tuesday	1.2300	1.1925	1.1775	1.2225			
--Wednesday	1.2200	1.1900	1.1775	1.2250			
--Thursday	1.2000	1.1825	1.1800	1.2375			
--Friday	1.2000	1.1800	1.1900	1.2975		1.2059	1.2165
--Weekly Average**	1.2160	1.1890	1.1800	1.2385			
-- 40# BLOCKS							
--Monday	1.2975	1.2300	1.1925	1.2375			
--Tuesday	1.2975	1.2275	1.2050	1.2575			
--Wednesday	1.2500	1.2275	1.2050	1.2575			
--Thursday	1.2300	1.2150	1.2125	1.2700			
--Friday	1.2300	1.2050	1.2300	1.3000		1.2389	1.2358
--Weekly Average**	1.2610	1.2210	1.2090	1.2645			
NONFAT DRY MILK*							
-- EXTRA GRADE							
--Monday	1.0150	1.0150	1.0150	1.0100			
--Tuesday	1.0150	1.0150	1.0150	1.0100			
--Wednesday	1.0150	1.0150	1.0100	1.0100			
--Thursday	1.0150	1.0150	1.0100	1.0100			
--Friday	1.0150	1.0150	1.0100	1.0100		1.0130	N.A.
--Weekly Average**	1.0150	1.0150	1.0120	1.0100			
-- GRADE A							
--Monday	1.0500	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.

No monthly average calculated to avoid confusion with the average used by Federal orders.

MAY 1999 DEIP BID ACCEPTANCES

ACCEPTANCE DATE	DESTINATION	QUANTITY (MT)	DEL. PERIOD	BONUS/MT
NONFAT DRY MILK				
JULY 1998 - MAY 1999 PROGRAM TO DATE		84,212*		
REALLOCATED**				
05/18	AFRICA & MIDDLE EAST	87	MAY-JUL	\$1,111
05/18	CARIBBEAN, CENT & S. AM	51	MAY-DEC	\$1,050
05/19	AFRICA & MIDDLE EAST	406	MAY-DEC	\$1,135
05/19	CARIBBEAN, CENT & S. AM	2,000	JUL-AUG	\$1,050
05/20	CARIBBEAN, CENT & S. AM	1,945	MAY-AUG	\$1,051.35
05/20	AFRICA & MIDDLE EAST	505	MAY-DEC	\$1,135
05/21	CARIBBEAN, CENT & S. AM	4,108	MAY-SEP	\$1,050.92
05/21	AFRICA & MIDDLE EAST	105	MAY-NOV	\$1,135
05/24	CARIBBEAN, CENT & S. AM	2,000	JUN-AUG	\$1,050
05/25	AFRICA & MIDDLE EAST	20	MAY-JUL	\$1,135
05/25	CARIBBEAN, CENT & S. AM	53	JUL-AUG	\$1,085
05/26	CARIBBEAN, CENT & S. AM	95	MAY-JUN	\$1,062.89
05/26	AFRICA & MIDDLE EAST	295	JUN-SEP	\$1,135
05/27	CARIBBEAN, CENT & S. AM	2,018	JUN-OCT	\$1,060.22
05/28	CARIBBEAN, CENT & S. AM	1,000	SEP	\$1,060
05/28	AFRICA & MIDDLE EAST	15	MAY-JUL	\$1,000
MAY 1 - 31, 1999		<u>14,703</u>		
REALLOCATED - TOTAL		40,961		
WHOLE MILK POWDER				
JULY 1998 - MAY 1999 PROGRAM TO DATE		5,003*		
REALLOCATED**				
05/25	CARIBBEAN, CENT & S. AM	61	MAY-SEP	\$1,340
05/27	AFRICA, MIDDLE EAST & FSU	260	MAY-DEC	\$1,375
MAY 1 - 31, 1999		<u>321</u>		
REALLOCATED - TOTAL		321		
CHEESE				
JULY 1998 - MAY 1999 PROGRAM TO DATE		3,011		
REALLOCATED**				
05/25-M	AFRICA & MIDDLE EAST	20	JUN-SEP	\$860
REALLOCATED - TOTAL		20		
C-CHEDDAR, G-GOUDA, M-MOZZARELLA, P-PROCESSED AMERICAN, CC-CREAM CHEESE, MJ - MONTEREY JACK, V - VARIETAL				
BUTTEROIL/ANHYDROUS MILKFAT				
JULY 1998 - MAY 1999 PROGRAM TO DATE		395		
A-ANHYDROUS MILKFAT, B-BUTTER				
TOTAL MT				PROGRAM-TO-DATE
TOTAL BONUS VALUE				133,263
				\$137,969,000

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**

* Program allocations have been filled.

** On May 13, 1999, Sec. Glickman reallocated an additional 20,000 MT of NDM, 7,500 MT of Whole Milk Powder & 1,270 MT of Cheese for the current program year.

**MILK SOLD TO PLANTS AND DEALERS BY PRODUCERS, AND PERCENT FLUID GRADE,
BY STATE, 1997 AND 1998 ^{1/}**

State	1997		1998	
	Quantity	Percent fluid grade ^{2/}	Quantity	Percent fluid grade ^{2/}
	Mil. lbs.	Percent	Mil. lbs.	Percent
AL	414	100	382	100
AK	13.9	100	13.23	100
AZ	2,653	100	2,668	100
AR	621	99	626	100
CA	26,992	99	27,169	99
CO	1,590	100	1,610	100
CT	488	100	510	100
DE	147.0	100	162.1	100
FL	2,471	100	2,329	100
GA	1,475	100	1,425	100
HI	119.3	100	126.3	100
ID	5,153	96	5,718	97
IL	2,181	95	2,100	96
IN	2,149	93	2,157	94
IA	3,640	94	3,796	94
KS	1,271	97	1,292	98
KY	1,774	98	1,669	98
LA	779	100	738	100
ME	645	100	663	100
MD	1,316	100	1,331	100
MA	412	100	415	100
MI	5,350	99	5,330	99
MN	9,100	92	9,170	93
MS	630	100	575	100
MO	2,329	94	2,337	95
MT	284	100	280	100
NE	1,015	94	1,025	94
NV	471	100	460	100
NH	323	100	328	100
NJ	294	100	288	100
NM	3,946	100	4,290	100
NY	11,363	100	11,581	100
NC	1,282	99	1,238	99
ND	696	59	690	65
OH	4,385	94	4,356	94
OK	1,232	100	1,220	100
OR	1,515	99	1,493	99
PA	10,322	99	10,506	99
RI	31.5	100	32.3	100
SC	392	100	369	100
SD	1,370	60	1,421	61
TN	1,600	98	1,490	98
TX	5,747	100	5,583	100
UT	1,473	91	1,446	92
VT	2,564	100	2,668	100
VA	1,843	99	1,828	99
WA	5,081	100	5,109	100
WV	263	99	275	99
WI	22,117	93	22,558	93
WY	82.2	81	77.9	80
U.S.	153,405	97	154,924	97

^{1/} Includes the equivalent amounts of milk for cream sold to plants and dealers. ^{2/} Percentage of milk sold to plants and dealers that is eligible for fluid use (Grade A in most states). Includes fluid-grade milk used in manufacturing dairy products.

SOURCE: "Milk Production, Disposition, and Income, 1998 Summary" DA 1-2(99), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

THE DAIRY SITUATION AND OUTLOOK*

Dairy Price Adjustments Have Come. The dairy industry has undergone a major price adjustment, as large gains in milk production finally overcame very strong demand for dairy products. With expansion momentum already established in milk production, inexpensive feed is likely to lead to large output gains throughout 1999. Although dairy demand is expected to continue to reflect the strength of the general economy, commercial use is not likely to absorb supplies except at prices far below the 1998 records. Sales of all dairy products in January-March rose 2 percent from a year earlier on a skim solids basis and almost 2 percent on a milkfat basis, very dramatic gains in light of higher prices. Retail prices averaged 9 percent higher, while wholesale buyers faced prices that ranged from about unchanged to sharply higher depending on the product. The increase in winter sales may have been slightly misleading. Some of the movement undoubtedly went to restore pipeline holdings depleted by the very tight markets of late 1998. In addition, milkfat users, anxious to avoid repetition of last year's mistakes, were much more aggressive about arranging fat supplies for the second half of the year. Even so, the demand strength that made 1998 such an extraordinary year clearly persisted in 1999.

Milk Output Surging. January-March milk output rose more than 3 percent from a year earlier, as the lagged effects of relatively favorable 1996-98 returns trimmed declines in milk cow numbers and boosted milk per cow. Milk cow numbers were down 0.4 percent from a year earlier and only slightly below the third quarter of 1998. Financially strong producers have begun to accelerate expansion plans after a period of devoting improved returns to buttressing their financial position. These expansions have put substantial pressure on prices of replacement heifers, with very high prices reported across the country. Record milk-feed price ratios and very favorable weather triggered a surge in January-March milk per cow, despite still-tight supplies of dairy-quality forage. Winter's almost 4 percent jump from a year earlier brought milk per cow close to the long-run trend for the first time in about 4 years. January-April production illustrated the probable pattern for milk production during the rest of 1999 and into 2000. Returns over concentrate cost and the milk-feed price ratio will trail the 1998 records but will stay generally above 1997 or the early 1990's. These milk-feed relationships likely will sustain the expansion begun last autumn. For all of 1999, milk output is projected to increase about 3 percent, with large rises persisting until the end. Milk cow numbers during the rest of the year are expected to stay near the early 1999 levels, as growth in new and expanding herds offsets a still-substantial exit of milk producers.

Dairy Prices Remain Unsettled. Wholesale dairy product prices are likely to be unsettled in coming months. Milk production will be near its seasonal peak and will be above a year earlier, while stocks are fairly large. On the other hand, product movement is expected to be heavy as demand stays brisk. Cheese prices may fluctuate as traders attempt to discover the appropriate price level. Butter prices may have begun moderate seasonal rises, although they probably will continue to be unsteady. Nonfat dry milk prices are not likely to stray much from the support purchase price before at least autumn. Limited seasonal rises in the Basic Formula Price (BFP) during the second half may be the strongest effect of the surge in milk production. The second half average BFP is projected to be the lowest since the early 1990's. For the year, the BFP is expected to average below \$12.00 per cwt, down sharply from 1998's \$14.20. The decline in the average price of all milk will not be as sharp because of the high prices of milk for fluid use in early 1999. Even so, average milk prices are projected to fall almost \$2.00 per cwt this year. Retail prices of dairy products during January-March were more than 9 percent higher than a year earlier, reflecting the carryover effects of the high farm and wholesale prices of late 1998. Retail prices are projected to decline as 1999 progresses but will be much above a year earlier until late in the year. After declining significantly in 1998, the farm-retail spread will widen sharply in 1999. For the year, retail prices are projected to increase 4 to 5 percent.

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

Source: "Livestock, Dairy, and Poultry Situation and Outlook", LDP-M-59, May 25, 1999, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

