

DAIRY WEEK

DAIRY MARKET PRICE COMMENTARY

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According to the USDA's National Agricultural Statistics Service, butter production was 17.0 million pounds in April, 7% above April 1996 and 12% above March 1997. American type cheese production totaled 280.9 million pounds, 1% above April 1996 but 1% below March 1997.

Total cheese output was 598.3 million pounds, 1% below April 1996 and 6% below March 1997.

Nonfat dry milk production, for human food, totaled 120.3 million pounds, 3% above April 1996 and 10% above March 1997.

Milk production is often lower in the southern regions where temperatures are hot, but it is increasing in the Northwest, Mountain States, Upper Midwest and Northeast.

FUTURES AND CASH PRICES

The amount of milk in inventory following the peak of the flush season has continued to weigh on dairy futures prices of raw milk and BFP. Cheese prices are expected to be pressured as surplus milk goes to cheese production in the Midwest, traders said.

At the New York Coffee, Sugar, and Cocoa Exchange, raw milk futures were slightly lower on the heels of increasing milk production in the country. June raw milk futures were down 17c at \$11.48, while Aug. also fell 17c to \$13.33.

BFP milk futures were mixed, June rose 2c to \$10.95, while July fell 5c to \$11.50.

CSCE's nonfat dry milk futures were unchanged on Wednesday.

June settled at 104.50c, while Aug. remained at 108.20c. Cheese futures were also unchanged with June at 116.00c and Aug. at 129.50c.

On Wednesday, CSCE cheddar cheese futures open interest was steady at 36 lots, raw milk futures volume was steady at 92 lots, non-fat dry milk was steady at 94 lots and butter futures were steady at 196 lots.

Open interest in the CSCE BFP milk futures market was up another 4 lots Wednesday at a large 946 lots. Traders said with more players, the market is increasing in volatility.

At the Chicago Mercantile Exchange, Grade AA cash butter decreased on Friday 1/4c to \$1.1275. Grades A and B were both unchanged at \$1.0500.

On Wednesday, CME BFP milk open interest was still at 1 lot, with virtually no trade activity in that market. CME butter futures, however, were up 5 lots of open interest at 337 on 42 lots of volume Wednesday.

CME Aug. BFP milk futures were settled at \$12.32/cwt. Butter futures were up sharply on Thursday. June was up 1.8c at 11c, while July rose 1.25c to settle at 112c.

FEED GRAINS

This morning's USDA report raised Kansas' wheat production estimate from 342.4 million bushels to 363.8 million. Overall, the report likely will combine with other market factors, such as rain and the Wheat Quality Council's recently completed soft red winter wheat tour, to put US cash prices 3-5c lower for soybeans, 1-5c

lower for wheat and 1-2c lower for corn, merchants said.

Needed rain in portions of Nebraska and western Iowa is weighing on cash prices.

The report also raised its 1996-97 soybean ending stocks projection which caused the market to soar in early trading.

Forecasters said rain is likely the next few days in the southwest Midwest and Ohio River Valley,

where farmers already have fields with water standing in them.

More rain probably will lead to more serious consideration of replanting corn and soybeans, especially in southern Indiana, merchants said. But many think it might be too late to replant corn in some areas.

The Dairy Products Committee met last week to discuss recent changes made to the standard of the butter futures contract at the CME. The Committee decided to rescind its changes, which had already been approved by the Commodity Futures Trading Commission and were set to be adopted June 23.

Local Parts Manager Wins Pick-Up

RICHLAND (Lebanon Co.) — It's official. Leon Stauffer, parts manager for Lebanon Valley Implement Company, was no fool when he entered his name in the AGCO parts division "Gearing Up in 1996" dealer incentive sweepstakes program. It was lights, camera, and action recently as Leon was surprised in his office by Andy Wolfe, AGCO parts sales manager, and the AGCO parts marketing team, announcing that he was this year's grand prize winner of a 1997 Dodge RAM 1500 4x4 pick-up truck. Leon couldn't help but smile as his wife Dolores, who was summoned by co-workers, stood by his side as he accepted the prize.

The "Gearing Up in 1996" sweepstakes program, sponsored by AGCO parts division, which supplies parts for Massey Ferguson equipment, AGCO and White tractors, and 11 other popular brands of farm equipment sold by AGCO Corporation, was designed to increase consumer traffic and parts sales in the local AGCO/Massey Ferguson dealerships. With each promotional order placed, dealerships had an increasing opportunity to enter the sweepstakes. After selling promotional orders, Leon took the time to fill out and enter what turned out to be

the grand prize winning game card.

In on the secret was Leon's employer, John Zimmerman. Leon

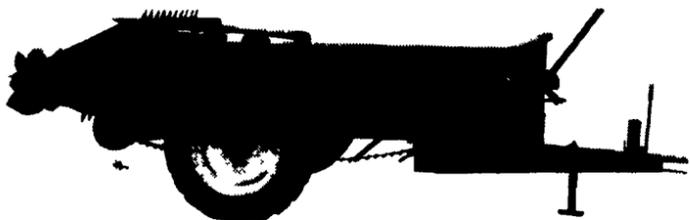
thanked his employer and fellow employees for their support in promoting the AGCO sweepstakes program.



Leon Stauffer, parts manager, Lebanon Valley Implement Company, center, won a Dodge RAM 1500 4x4 pick-up truck in an AGCO dealer incentive sweepstakes. Making the presentation are Andy Wolfe, AGCO parts sales manager, left, and Jeff Pink, AGCO parts marketing manager.

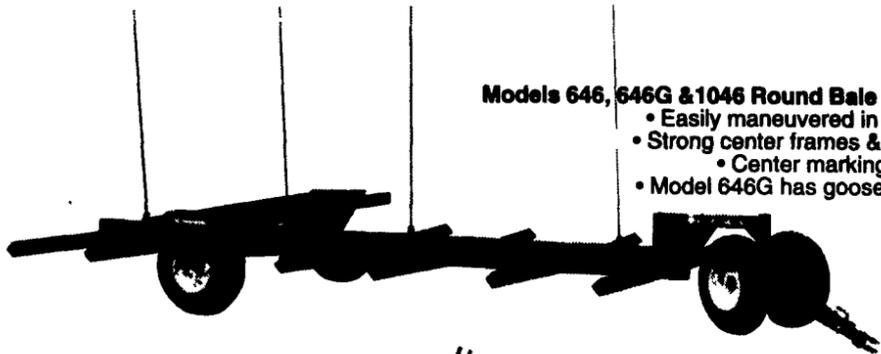
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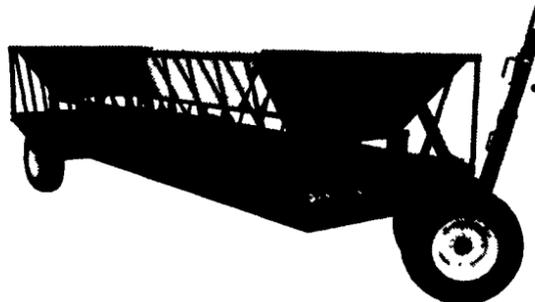
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