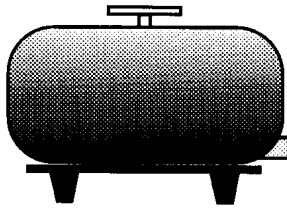


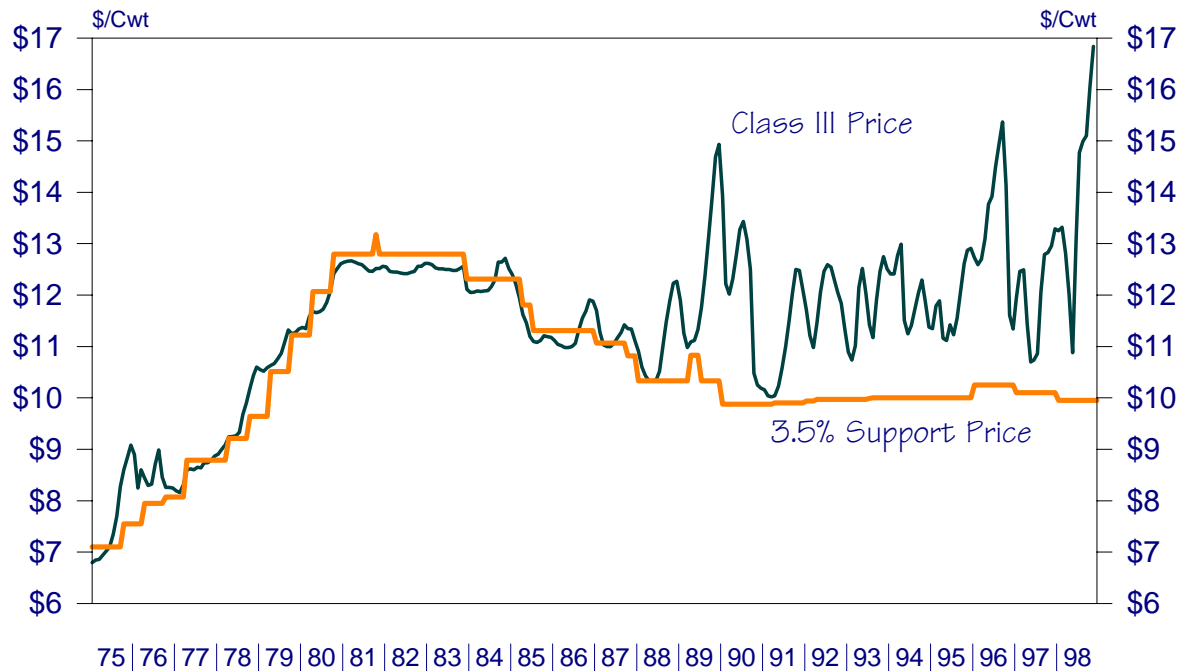
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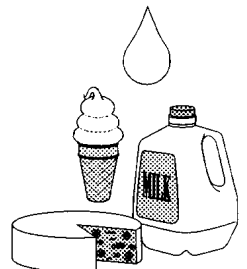
1998 will be added to dairy industry history as the year of record prices. Approaching the end of such a year provides one certainty - that is the uncertainty of how dairy commodity and milk prices will measure up during 1999.

Federal Order Class III Price vs 3.5% Support Price

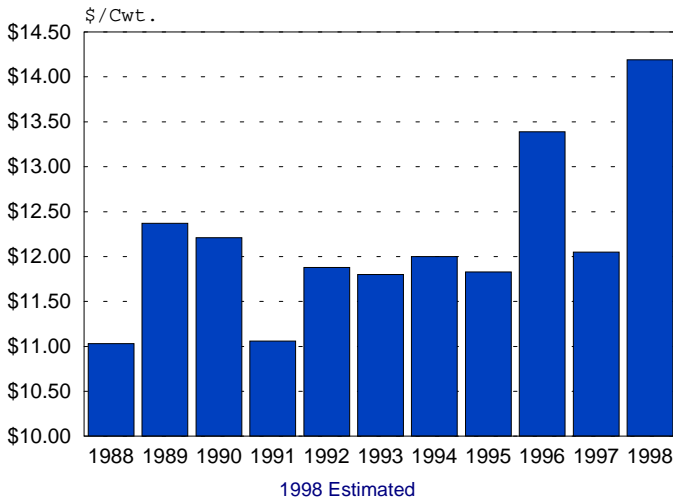


D E C E M B E R 1 9 9 8

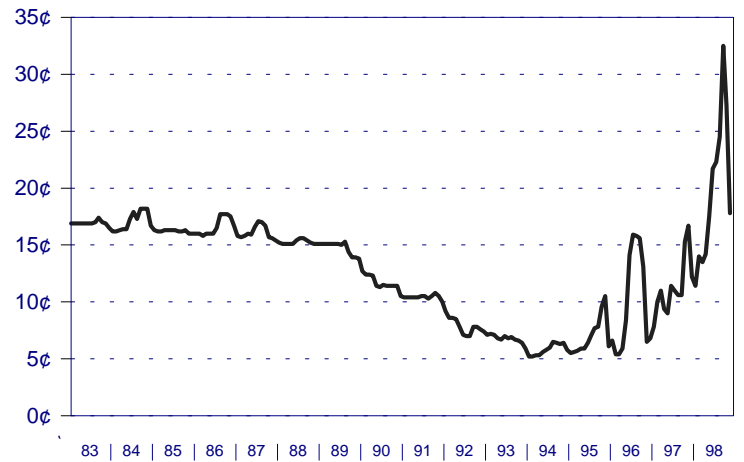
The following graphics provide a comparison of current and historical prices. The price volatility experienced during 1998 prompts many questions about what will happen next. How long will record prices prevail, and how far will they fall during the inevitable downturn? Are fundamentals or speculation driving the market? In the past, the expectation prevailed that prices would return to near historical levels, or at least follow trends which had an historical basis. However, as evidenced by these graphics this expectation is losing merit. Price fluctuations seem to follow prior price fluctuations without discernible patterns. The following graphs provide a snapshot of where selected prices have been and furnish readers a springboard to predict where they may go.



Annual Average Federal Order Class III Price



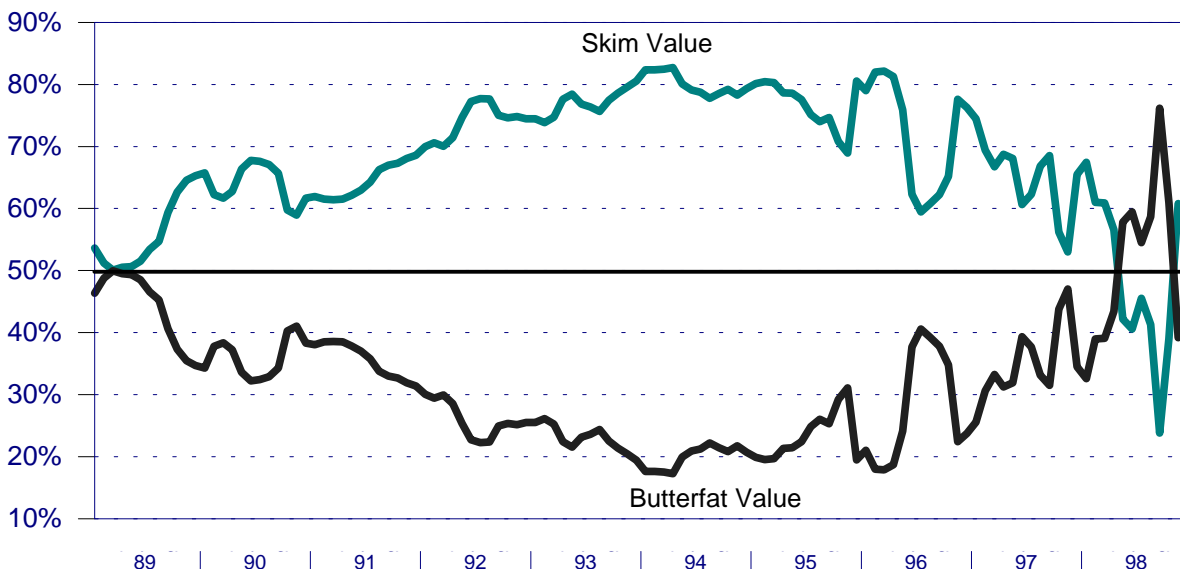
**Butterfat Differential
Per Point Price Adjustment From 3.5%**



Both the Basic Formula Price and the Federal order butterfat differential noted record highs during 1998. The November BFP (Class III) price was a record \$16.84 per hundredweight and may be higher in December. The November price and the October price of \$16.04 both exceeded the previous high of \$15.37 set in September 1996. The BFP increases are mainly influenced by cheese prices. Wholesale 40-pound block cheese monthly average prices on the Chicago Mercantile Exchange reached a record high \$1.8628 per pound in November, and have varied by 63.7¢ per pound from the low to the high month during 1998. The previous monthly average peak before this most recent "run-up" was \$1.6942 in September 1996. These two peaks and their effect on the BFP are evidenced by the graphic on page one.

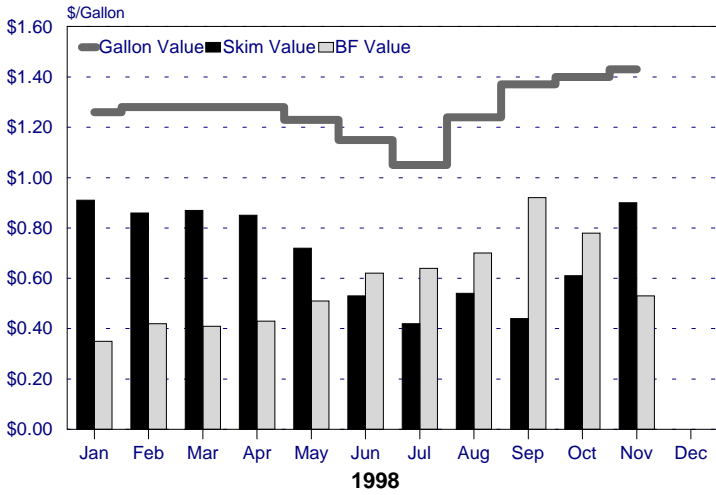
The Federal order butterfat differential also reached record highs during 1998 - peaking at 32.5¢ in September. The Chicago Mercantile Grade AA butter price reached a record monthly high of \$2.7566 per pound during September 1998 with monthly average prices varying by \$1.5634 from the low to the high. The weekly record high of \$2.81 also occurred in September. The graph (top right) depicts recent price changes in the butterfat differential with historical levels.

**Percent Skim & Butterfat Values in 100 Lbs.
of 3.5% Butterfat Milk at the Class III Price**

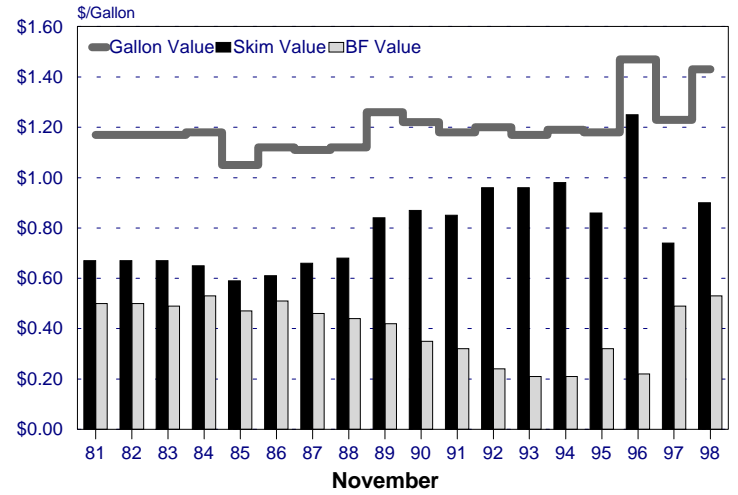


The following graphics illustrate how interacting relationships between different prices can affect selected dairy products.

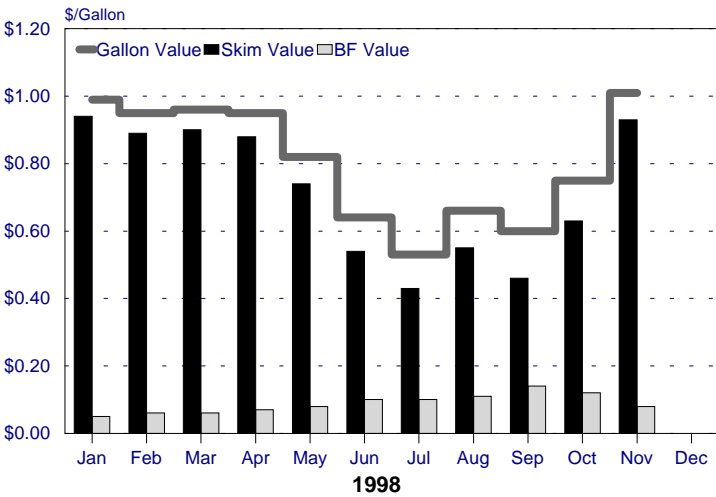
**Values Of 3.25% Homogenized Milk
Southern Illinois-Eastern Missouri Federal Order**



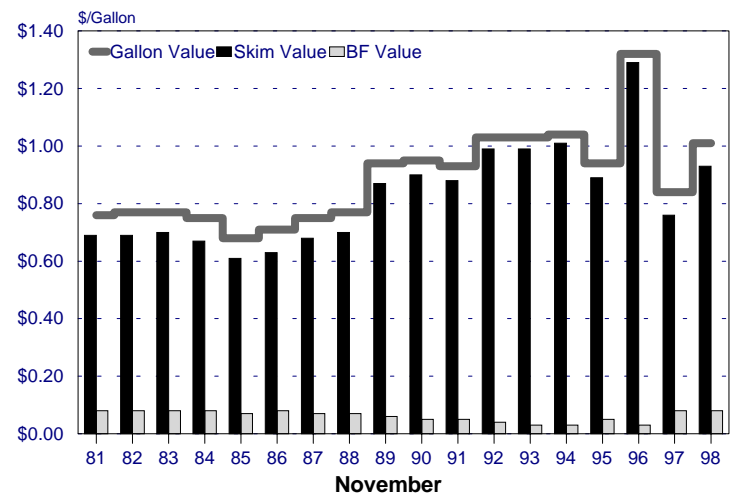
**Values Of 3.25% Homogenized Milk
Southern Illinois-Eastern Missouri Federal Order**



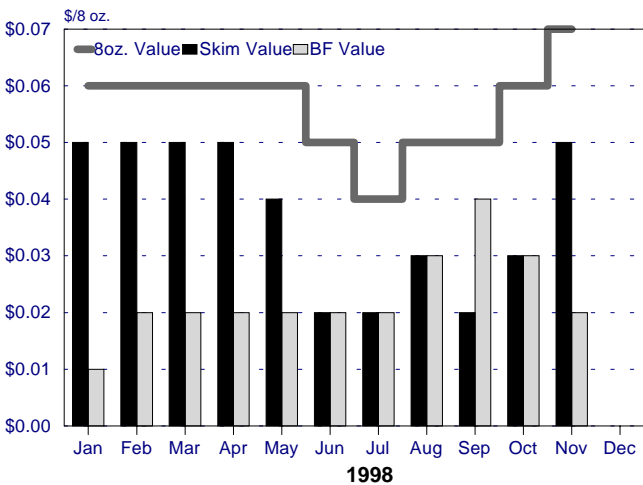
**Values Of .5% Skim Milk
Southern Illinois-Eastern Missouri Federal Order**



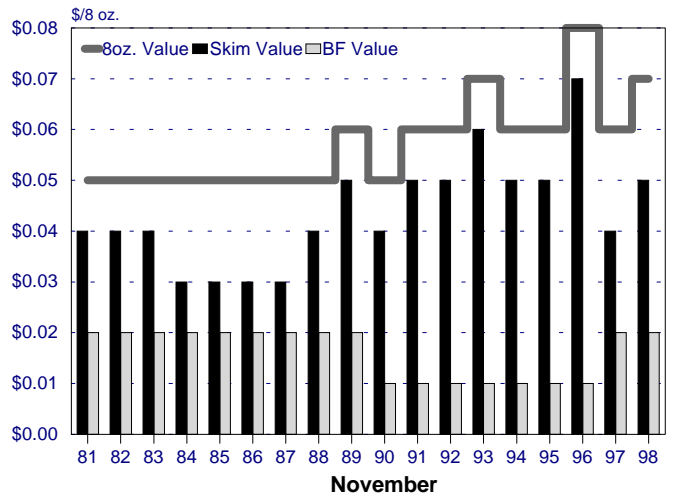
**Values Of .5% Skim Milk
Southern Illinois-Eastern Missouri Federal Order**



**Values Of 2% Yogurt
Southern Illinois-Eastern Missouri Federal Order**



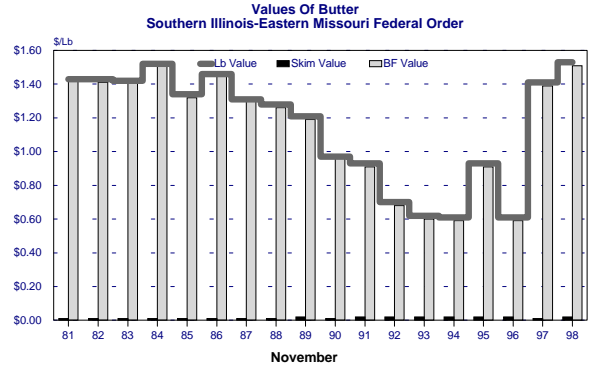
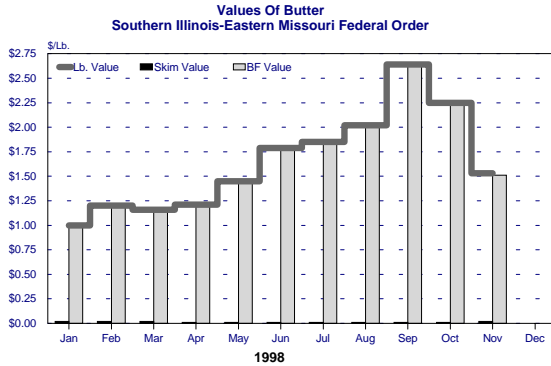
**Values Of 2% Yogurt
Southern Illinois-Eastern Missouri Federal Order**



A comparison of Blend Prices for milk of 3.5% butterfat content is provided for selected Federal milk marketing orders:

Southeast (Zone 7)	Nov 1998	\$17.92	Oct 1998	\$17.82	Nov 1997	\$15.33
Chicago Regional (Zone I)		16.39		15.97		13.34
Greater Kansas City		16.92		16.86		14.51
Indiana		16.54		16.53		14.13
Iowa (Zone I)		16.36		16.31		13.48
Southwest Plains (Zone I)		17.40		17.04		14.41
Central Illinois (Zone I)		16.69		16.48		14.16
Southern Illinois - Eastern Missouri (Base Zone)		16.65		16.47		14.13

	Nov 1998	\$17.92	Oct 1998	\$17.82	Nov 1997	\$15.33
		16.39		15.97		13.34
		16.92		16.86		14.51
		16.54		16.53		14.13
		16.36		16.31		13.48
		17.40		17.04		14.41
		16.69		16.48		14.16
		16.65		16.47		14.13



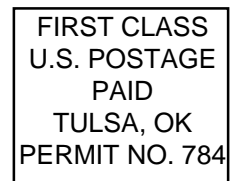
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