

GRAIN, CATTLE, HOG, & MILK BFP FUTURES MARKETS

Markets Courtesy Of Chicago Board and Mercantile Exchange
(Closing bids: Wednesday, December 1, 1999)

Corn

Daily Prices As of :- Thursday, 2 December

Symbol: C		Open	High	Low	Last	Chge
12/02/99	DEC 99	1894	1984	1882	1890	-2
12/02/99	MAR 00	2026	2036	2016	2024	-2
12/02/99	MAY 00	2096	2104	2086	2092	-4
12/02/99	JUL 00	2166	2172	2152	2160	-6
12/02/99	SEP 00	2226	2234	2224	2226	-4
12/02/99	NOV 00	2290	2300	2290	2292	-4
12/02/99	DEC 00	2324	2334	2320	2324	-2
12/02/99	JAN 01	2350	2350	2350	2350	-4
12/02/99	MAR 01	2404	2412	2402	2404	-6
12/02/99	JUL 01	2500	2500	2500	2500	unch
12/02/99	DEC 01	2554	2554	2544	2550	-10
Total		Volume	Open_Int			
12/01/99		72217	402454			

Soybeans

Daily Prices As of :- Thursday, 2 December

Symbol S		Open	High	Low	Last	Chge
12/02/99	JAN 00	4764	4780	4720	4726	-30
12/02/99	MAR 00	4832	4850	4794	4802	-30
12/02/99	MAY 00	4900	4920	4860	4864	-34
12/02/99	JUL 00	4964	4964	4914	4924	-26
12/02/99	AUG 00	4934	4964	4920	4932	-32
12/02/99	SEP 00	4960	4960	4910	4910	-30
12/02/99	NOV 00	5010	5012	4966	4972	-40
12/02/99	NOV 01	5280	5280	5260	5260	-10
Total		Volume	Open_Int			
12/01/99		41400	162232			

Forecast Of Pennsylvania Milk Prices Under Federal Order Reform

By Ken Bailey
Associate Professor
Penn State University
November 30, 1999

The National Milk Producers Federation announced November 19 that a year-end omnibus spending bill has been approved by the House and Senate. President Clinton reportedly signed the budget bill Monday. It contains dairy provisions that will amend the federal order reform process. More specifically it will:

- Require the USDA to use Option IA Class I price differentials rather than Option IB contained in the Secretary's final rule.

- Require USDA to hold hearings to determine the proper level of make allowances for cheese (Class III) and butter/powder (Class IV) processors. The make allowance affects Class III and IV prices and hence the minimum prices that processors pay for milk.

- Establish a pilot program to allow farmers to forward price their milk in Classes II, III and IV.

- Extend the Northeast Interstate Dairy Compact through September 20, 2001. Note that the bill does not allow for other states to join the existing compact.

My contacts indicate that these changes will be added onto the final rule recently approved by dairy farmers and could be implemented as early as January

1, 2000. The budget bill reportedly contains language that will allow USDA to quickly implement these changes (i.e. no need for a hearing process, referendum, regulatory impact statement, etc.)

I made two forecasts for milk prices in the Northeast one through 1999 using my BFP model, and the other for 2000 using my new federal order reform model. Both models can be downloaded from my website <http://www.aers.psu.edu/dairy/outlook/excel.htm>. These models use commodity forecasts in Table 1 below.

The year 2000 forecast assumes Boston will be the basing point for the new Northeast order. The Boston Class I differential will be \$3.25 per cwt under modified Class IA. It is currently \$3.24. The Northeast blend price in Table 2 below is computed using the following utilization rates: Class I = 41%, Class II = 19%, Class III = 33%, and Class IV = 7%. The Northeast blend price is then adjusted to Lancaster, PA by subtracting \$0.45 per cwt. This adjustment reflects the difference in county Class I differentials under order reform as modified by the omnibus budget (Option IA).

The model results in Table 2 suggest milk prices will decline sharply from record high levels in the fourth quarter of 1999 and the first quarter of 2000.

Lean Hogs

Daily Prices As of :- Thursday, 2 December

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int	
12/02/99	Dec 99	5190	5245	5112	5232	+7	4447	16624
12/02/99	Feb 00	5580	5680	5530	5665	+30	4868	24699
12/02/99	Apr 00	5610	5690	5540	5677	-5	1341	8305
12/02/99	Jun 00	6290	6295	6170	6292	-33	490	4759
12/02/99	Jul 00	6140	6140	6050	6112	-53	197	1626
12/02/99	Aug 00	5905	5915	5870	5887	-38	131	805
12/02/99	Oct 00	5505	5505	5475	5480	-55	67	293
12/02/99	Dec 00	5335	5335	5300	5330	-25	67	107
12/02/99	Feb 01	5330	5370	5330	5330	+5	0	3

Composite	Volume	Open_Int
12/01/99	11608	57221

Live Cattle

Daily Prices As of :- Thursday, 2 December

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int	
12/02/99	Dec 99	6930	6957	6900	6927	-30	8860	28540
12/02/99	Feb 00	6890	6952	6885	6917	-5	8331	52757
12/02/99	Apr 00	7030	7080	7025	7055	-2	2210	28167
12/02/99	Jun 00	6890	6897	6865	6882	-13	799	11366
12/02/99	Aug 00	6897	6905	6870	6882	-18	335	5149
12/02/99	Oct 00	7075	7100	7060	7060	-15	167	2814
12/02/99	Dec 00	7190	7200	7172	7177	-8	92	2529

Composite	Volume	Open_Int
12/01/99	20794	131322

Oats

Daily Prices As of :- Thursday, 2 December

Symbol: O		Open	High	Low	Last	Chge
12/02/99	DEC 99	1012	1020	1010	1020	+4
12/02/99	MAR 00	1116	1124	1112	1122	+6
12/02/99	MAY 00	1164	1172	1164	1172	+10
12/02/99	JUL 00	1154	1156	1154	1156	+6
12/02/99	SEP 00	1196	1204	1196	1204	+6
12/02/99	DEC 00	1262	1262	1262	1262	+2

Total	Volume	Open_Int
12/01/99	1072	12173

Figure 1. Forecast of Lancaster Blend Price Under Order Reform

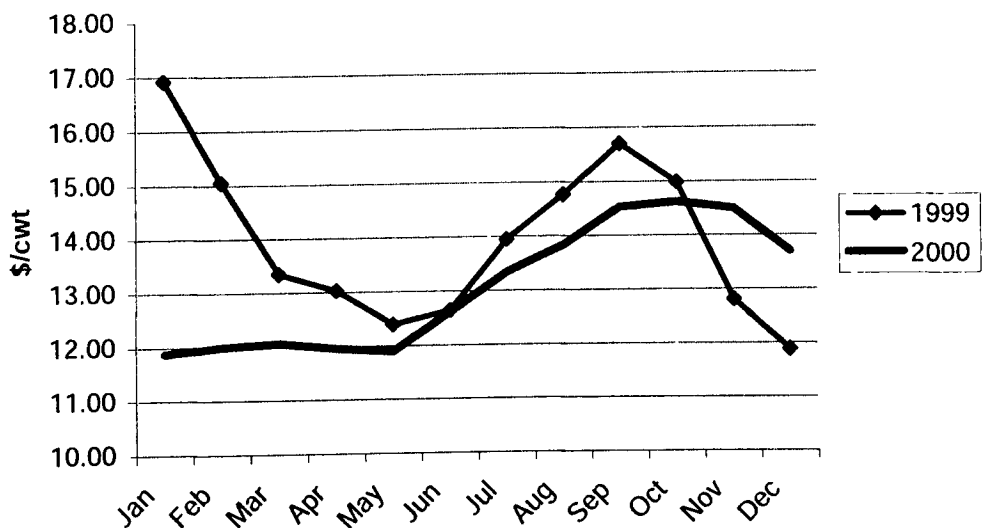


Table 2. Comparison of Milk Prices: Current vs. Order Reform, \$/cwt

Month	Class I Price Mover		Class II Price		Class III Price		Class IIIa/IV Price		Order Reform	
	Current	Final Rule	Current	Final Rule	Current	Final Rule	Current	Final Rule	Boston Blend	Lancaster Blend
Jan-99	16.84	17.44	17.14	14.31	16.27	15.85	13.12	13.45	17.37	16.92
Feb-99	17.34	16.90	17.64	13.72	10.27	11.35	12.78	12.71	15.50	15.05
Mar-99	16.27	12.74	16.57	13.47	11.62	11.51	12.36	12.55	13.80	13.35
Apr-99	10.27	12.75	10.57	12.05	11.81	11.64	11.06	11.26	13.48	13.03
May-99	11.62	11.67	11.92	12.21	11.26	10.91	11.62	11.53	12.84	12.39
Jun-99	11.81	11.16	12.11	13.84	11.42	11.04	13.29	13.14	13.10	12.65
Jul-99	11.26	13.04	11.56	13.50	13.59	12.92	12.37	12.79	14.40	13.95
Aug-99	11.42	12.88	11.72	13.46	15.79	15.61	12.62	12.77	15.22	14.77
Sep-99	13.59	15.26	13.89	13.29	16.26	15.60	12.37	12.67	16.15	15.70
Oct-99	15.79	16.54	16.09	12.50	11.49	12.48	11.78	11.83	15.44	14.99
Nov-99	16.26	12.90	16.56	12.29	10.34	10.59		11.58	13.26	12.81
Dec-99	11.49	11.60	11.79	11.90	9.91	9.69		11.18	12.33	11.88
Jan 00		11.18		12.16	11.14	10.17		11.26	12.33	11.88
Feb 00		11.26		11.12	10.28			11.44	12.45	12.00
Mar 00		11.44		12.09	10.97	10.29		11.39	12.51	12.06
Apr 00		11.39		11.88	10.87	10.20		11.18	12.41	11.96
May 00		11.18		12.27	10.69	9.96		11.57	12.34	11.89
Jun 00		11.57		13.03	11.61	11.07		12.33	13.07	12.62
Jul 00		12.33		13.03	12.39	12.33		12.33	13.80	13.45
Aug 00		12.33		13.03	13.55	13.81		12.33	14.28	13.83
Sep 00		13.81		13.03	13.77	14.09		12.33	14.98	14.53
Oct 00		14.09		13.03	13.94	14.02		12.33	15.07	14.62
Nov 00		14.02		13.30	13.66	13.51		12.60	14.95	14.50
Dec 00		13.51		12.34	12.61	12.49		11.64	14.15	13.70