

# GRAIN, CATTLE, HOG, & MILK BFP FUTURES MARKETS

Markets Courtesy Of Chicago Board and Mercantile Exchange  
(Closing bids: Wednesday, December 8, 1999)

## Corn

Daily Prices As of :- Thursday, 9 December

Symbol : C

Date	Open	High	Low	Last	Chge
12/09/99 DEC 99	1880	1890	1856	1860	-24
12/09/99 MAR 00	2000	2006	1970	1972	-26
12/09/99 MAY 00	2072	2072	2040	2042	-30
12/09/99 JUL 00	2136	2142	2104	2110	-26
12/09/99 SEP 00	2204	2206	2174	2174	-30
12/09/99 NOV 00	2270	2270	2240	2240	-32
12/09/99 DEC 00	2300	2304	2270	2270	-32
12/09/99 JAN 01	2284	2284	2284	2284	-30
12/09/99 MAR 01	2382	2382	2352	2352	-30
12/09/99 JUL 01	2450	2450	2440	2440	-24
12/09/99 DEC 01	2514	2514	2500	2500	-20

Total	Volume	Open_Int
12/08/99	46867	387698

## Soybeans

Daily Prices As of :- Thursday, 9 December

Symbol : S

Date	Open	High	Low	Last	Chge
12/09/99 JAN 00	4716	4724	4590	4594	-124
12/09/99 MAR 00	4790	4800	4664	4666	-126
12/09/99 MAY 00	4850	4860	4730	4732	-124
12/09/99 JUL 00	4920	4920	4790	4794	-116
12/09/99 AUG 00	4920	4920	4790	4794	-120
12/09/99 SEP 00	4910	4910	4802	4802	-114
12/09/99 NOV 00	4964	4970	4860	4862	-100
12/09/99 NOV 01	5200	5200	5130	5130	-72

Total	Volume	Open_Int
12/08/99	48673	159298

## Weekly Dairy Market Outlook

### USDA Announces Shocking Drop in BFP

**KEN BAILEY**  
Penn State University

•November BFP is \$9.79/cwt.

•Last time BFP this low was August 1978

•Support price for milk is \$9.80/cwt at 3.5%

•CME cheese hovers at support levels

USDA today announced November's Basic Formula Price, or BFP, at \$9.79 per cwt for milk testing 3.5 percent butterfat. According to my records, the BFP has not been this low since August 1978 when it was \$9.68 per cwt. That was a long time ago. For all practical purposes, the November BFP is right at support of \$9.80 per cwt (also at 3.5 percent butterfat). The November BFP fell \$1.70 per cwt from the month before and is a whopping \$7.05 below a year ago.

So why is the November BFP at such low levels? I was predicting a BFP above \$10 per cwt. The November BFP is equal to the October base month price of \$11.99 per cwt plus the cheese/powder price adjustment formula equal to -\$2.20. The base month price is what unregulated processors (mainly cheese processors) in Minnesota and Wisconsin paid for milk. The butterfat level in those states for October was pretty high (3.94 percent) and the CME cheese price was \$1.3031. So, the higher butterfat test had the impact of lowering the base price down when adjusted to a 3.5 percent butterfat level.

The negative price adjustment

factor (-\$2.20) primarily reflects the change in cheese prices between October and November. The NASS survey cheese price in October was \$1,4388 per pound and the price in November was \$1.2143. Given what a 100 pounds of milk is worth based on these cheese prices, the adjustment factor fell \$2.20 per cwt.

This suggests that the BFP could fall more next month. Why? Because the November base month price will likely fall from October levels and we will have another negative price adjustment since cheese prices fell between November and December. My estimate is that the base month price for November will be \$10.66 per cwt and that the price adjustment for November through December will be -\$0.96. That will give a December BFP of \$9.70 per cwt. The December CME BFP futures as of December 3 was \$9.90 per cwt.

The cash market at the CME showed little change from the week before. Cheese prices are basically at support. The support price for 40-pound blocks is \$1.10 per pound and the support price for barrels \$1.07. No cheese went into the price support program this week. Block prices at the CME remained at \$1.12 per pound and barrel prices at \$1.1075. Western prices are about 2-4 cents per pound lower.

The good news is that the final numbers are in for commercial disappearance for the third quarter of 1999 (July - September). Milk production during this peri-

od was up 3.2 percent. However, consumption of dairy products was up 11.4 percent for butter, 17.0 percent for American cheese, 8.1 percent for other cheese, 16.0 percent for nonfat dry milk, and 1.3 percent for fluid milk. This is tremendous growth for the dairy industry. The economy also grew at the rate of 5.5 percent during this period. Is there a connection?

Assuming the economy continues to grow at some level below 5 percent in the fourth quarter, cow numbers continue to decline, and cheese stocks continued to fall, we could see cheese prices turn the corner sometime in early January. The next indication

Daily Prices As of :- Thursday, 9 December

Symbol : SM

Date	Open	High	Low	Last	Chge
12/09/99 DEC 99	1478	1478	1445	1454	
12/09/99 JAN 00	1475	1478	1445	1450	
12/09/99 MAR 00	1477	1479	1450	1451	
12/09/99 MAY 00	1478	1478	1448	1448	
12/09/99 JUL 00	1493	1493	1462	1463	
12/09/99 AUG 00	1475	1475	1453	1453	
12/09/99 SEP 00	1470	1478	1452	1453	
12/09/99 OCT 00	1475	1475	1451	1451	
12/09/99 DEC 00	1513	1515	1485	1485	

Total	Volume	Open_Int
12/08/99	28059	104875

what of what is to come will be December 20 when the cold storage report is released.

For more information on dairy outlook, see my web site at: <http://www.aers.psu.edu/dairy-outlook/>

Table 1. Chicago Mercantile Exchange Prices, Weekly Averages

	3-Dec-99	26-Nov-99	19-Nov-99	12-Nov-99	5-Nov-99
Cheese:					
500 lb. barrels	1.1075	1.0975	1.0975	1.1085	1.1930
40-lb. blocks	1.1200	1.1200	1.1220	1.1170	1.2150
Nonfat dry milk:					
Extra Grade	1.0300	1.0300	1.0300	1.0300	1.0300
Grade A	1.0300	1.0300	1.0300	1.0300	1.0300
Butter:					
Grade AA	0.9208	1.0100	1.0683	1.0983	1.0933

Source: Dairy Market News, AMS, USDA  
(<http://www.ams.usda.gov/dairy/mnacs/weekly.htm>).

Table 2. NASS Weekly U.S. Average Survey Prices

	27-Nov-99	20-Nov-99	13-Nov-99	06-Nov-99	30-Oct-99
Cheese:					
500 lb. Barrels 1/	1 0966	1 1443	1 2056	1 2299	1 2490
40-lb blocks	1 1426	1 1833	1 2396	1 2806	1 3126
Butter	1 0341	1 0660	1 0768	1 0678	1 0534
Nonfat dry milk	1 0136	1 0158	1 0189	1 0181	1 0170
Dry whey	0 1875	0 1925	0 1925	0 1924	0 1968

Source: Dairy Product Prices, NASS, USDA  
(<http://usda.mannlib.cornell.edu/reports/nassr/price/dairy/1999/>).  
1/ Adjusted to 39% moisture

## Lean Hogs

Daily Prices As of - Thursday, 9 December

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
12/09/99 Dec 99	5205	5210	5115	5135	-57	3024	10743
12/09/99 Feb 00	5700	5720	5655	5702	3	5979	27570
12/09/99 Apr 00	5710	5720	5650	5707	-18	1180	8633
12/09/99 Jun 00	6415	6440	6365	6435	+3	546	5174
12/09/99 Jul 00	6240	6285	6210	6277	+7	102	1601
12/09/99 Aug 00	6040	6065	6002	6037	+7	87	968
12/09/99 Oct 00	5595	5597	5570	5595	unch	49	507
12/09/99 Dec 00	5400	5440	5397	5405	+5	22	126
12/09/99 Feb 01	0	5440	5440	5440	+40	2	4

Composite	Volume	Open_Int
12/08/99	10991	55326

## Live Cattle

Daily Prices As of :- Thursday, 9 December

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
12/09/99 Dec 99	7045	7050	6977	6980	-57	3010	19451
12/09/99 Feb 00	7010	7020	6952	6957	-40	6653	55287
12/09/99 Apr 00	7162	7172	7117	7132	-25	1915	28793
12/09/99 Jun 00	6962	6962	6895	6900	-52	763	12259
12/09/99 Aug 00	6940	6945	6885	6892	-40	653	5787
12/09/99 Oct 00	7115	7115	7085	7085	-20	74	2837
12/09/99 Dec 00	7225	7225	7200	7200	-32	46	2645

Composite	Volume	Open_Int
12/08/99	13114	127059

## Oats

Daily Prices As of :- Thursday, 9 December

Symbol : O

Date	Open	High	Low	Last	Chge
12/09/99 DEC 99	1034	1036	1030	1030	+2
12/09/99 MAR 00	1120	1122	1114	1120	-2
12/09/99 MAY 00	1164	1164	1160	1162	-2
12/09/99 JUL 00	1150	1150	1144	1144	-2
12/09/99 SEP 00	1196	1196	1194	1194	-2
12/09/99 DEC 00	1252	1252	1252	1252	unch

Total	Volume	Open_Int
12/08/99	2107	12055

## Soybean Meal

Daily Prices As of :- Thursday, 9 December