## **FUTURES MARKETS**

(Continued from page A16)

percent higher than a year ago and 7.4 percent more than January we agreed to raise our import 2000. Clearly more milk is being quotas over time. That will result translated into more butter and in greater imports. And, we cheese, and part of that is ending agreed to phase out our DEIP up in the form of higher stocks.

news. A number of dairy farmers markets. have asked me to look at import just released dairy trade numbers.

some Imports and exports of dairy products are regulated by our world trade agreements. The idea is you open your borders, and amounts of trade) to tariffs. You can import various dairy products into the U.S. at reduced tariff rates (essentially a tax), but only should be of no surprise that within a certain quota. Beyond record high butter prices (in 1998) that quota level, imports are subjected to a very high tariff.

Likewise, we have greater and can export butteroil and nonfat dry milk using our Dairy Export Incentive Program (DEIP). Remember, trade works both ways!

Under our trade agreements, program. But we also have (in Now for the more interesting theory) greater access to overseas

The numbers in Tables 3 and 4 levels for dairy products. USDA below show quantities and values of imports and exports of various background. dairy products. For the most part, we only trade in dairy products, not liquid milk products. The data show imports rising and exports being relatively flat. we'll open ours. We agreed to Imports are especially high for convert our import quotas (fixed butter (in 1998), cheese (in 1998 and 1999), and milk protein concentrate.

What's going on here? Well, it and record high cheese prices (in 1998 and 1999) resulted in greater imports. This is especially true access to the European market, when world prices were lower than U.S. prices. The U.S. became a magnet to world imports.

Even with very high tariff

rates, it was profitable to import product into the U.S and still pay the high tariff rates.

What is alarming is that there appears to be a trend towards more and more net imports (net imports are equal to imports less exports). I am quoting this figure in dollar values. It is very difficult to look at net trade on a milk eqivalent basis (what is the equivalent amount of raw milk that we imported?). In 1997 net imports were \$122.3 million. But 1999 net imports were \$404.9 million. That's an increase of 231 percent.

Now, for some perspective. U.S. sales of milk at the farm level are typically \$22-24 billion a year. In 1999 we produced 162.711 billion pounds of milk and the U.S. all-milk price was \$14.37 per cwt. Thus farm milk sales in 1999 were \$23.38 billion. Imports net of exports on a dollar value in 1999 were 1.73 percent of the value of U.S. milk production. It's hard to argue whether that is a lot, or a little.

But the bigger question is what will happen this year? My guess is that imports will slow down considerably due to record low U.S. milk prices.

Who would import above quota levels and pay those very

high tariff rates when U.S. prices

My conclusion from this very quick review of the data is that higher imports were the result of high domestic prices. Likewise, low domestic milk prices should lower imports. If this is true, imports did not cause milk prices to fall; this had more to do with

continued growth in the U.S. milk

For more information on market and federal order data, see my Penn State Dairy Outlook website http://www.aers.psu.edu/dairyoutl

## **Adams County Sets Beef Ball**

BONNEAUVILLE (Adams Co.) — Adams County Beef Producers Association, Inc. has announced plans for the 24th annual Adams County Beef Ball and Parade of Bulls.

The event is scheduled April 15 at the Bonneauville Fire Company.

Hors d'oeuvres are scheduled at 4:30 p.m. followed by dinnerat 5:30 p.m. and dance at 8 p.m. Adults are \$17 each (\$20 after

April 1) and children 6-12 are \$8.50 each (\$11.50 each after April 1). Children less than 6 years old are admitted free.

The event features Adams County pit beef, door prizes, a queen contest, and country music. No glass containers, including beer, soda, and wine coolers, are allowed.

To order tickets, call (717) 337-3921 or (717) 677-7115.



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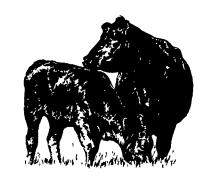
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