

FUTURES MARKETS

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percent higher than a year ago and 7.4 percent more than January 2000. Clearly more milk is being translated into more butter and cheese, and part of that is ending up in the form of higher stocks.

Now for the more interesting news. A number of dairy farmers have asked me to look at import levels for dairy products. USDA just released dairy trade numbers.

First, some background. Imports and exports of dairy products are regulated by our world trade agreements. The idea is you open your borders, and we'll open ours. We agreed to convert our import quotas (fixed amounts of trade) to tariffs. You can import various dairy products into the U.S. at reduced tariff rates (essentially a tax), but only within a certain quota. Beyond that quota level, imports are subjected to a very high tariff.

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

Under our trade agreements, we agreed to raise our import quotas over time. That will result in greater imports. And, we agreed to phase out our DEIP program. But we also have (in theory) greater access to overseas markets.

The numbers in Tables 3 and 4 below show quantities and values of imports and exports of various 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. Imports are especially high for butter (in 1998), cheese (in 1998 and 1999), and milk protein concentrate.

What's going on here? Well, it should be of no surprise that record high butter prices (in 1998) and record high cheese prices (in 1998 and 1999) resulted in greater imports. This is especially true 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 equivalent 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 are so low?

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 supply

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

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 dinner at 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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