

GRAIN, CATTLE, HOG, & MILK BFP

FUTURES MARKETS

Markets Courtesy of Chicago Board and Mercantile Exchange
Closing Bids: Thursday, May 25, 2000

Corn

Daily Prices As of :- Thursday, 25 May

Symbol: C

	Open	High	Low	Last	Chge
05/25/00 JUL 00	2344	2360	2290	2304	-44
05/25/00 SEP 00	2424	2444	2376	2392	-36
05/25/00 NOV 00	2490	2496	2450	2452	-34
05/25/00 DEC 00	2526	2542	2476	2494	-36
05/25/00 JAN 01	2514	2524	2514	2524	-40
05/25/00 MAR 01	2616	2622	2564	2582	-36
05/25/00 MAY 01	2660	2670	2620	2626	-34
05/25/00 JUL 01	2692	2710	2654	2664	-34
05/25/00 SEP 01	2590	2590	2590	2590	-30
05/25/00 DEC 01	2644	2650	2606	2624	-26
05/25/00 DEC 02	2660	2660	2660	2660	-30

Total	Volume	Open_Int
05/24/00	63933	468098

Soybeans

Daily Prices As of :- Thursday, 25 May

Symbol: S

	Open	High	Low	Last	Chge
05/25/00 JUL 00	5414	5440	5250	5272	-150
05/25/00 AUG 00	5460	5470	5270	5294	-156
05/25/00 SEP 00	5470	5480	5274	5304	-160
05/25/00 NOV 00	5510	5530	5324	5356	-162
05/25/00 JAN 01	5582	5594	5410	5442	-146
05/25/00 MAR 01	5660	5660	5480	5500	-164
05/25/00 MAY 01	5690	5690	5514	5534	-164
05/25/00 JUL 01	5714	5720	5544	5580	-162
05/25/00 NOV 01	5690	5700	5550	5550	-150

Total	Volume	Open_Int
05/24/00	56000	196409

Oats

Daily Prices As of :- Thursday, 25 May

Symbol: O

	Open	High	Low	Last	Chge
05/25/00 JUL 00	1170	1192	1144	1152	-40
05/25/00 SEP 00	1240	1250	1210	1210	-40
05/25/00 DEC 00	1310	1314	1274	1282	-36
05/25/00 MAR 01	1354	1354	1350	1350	-44
05/25/00 MAY 01		1394	1394	1394	-42

Total	Volume	Open_Int
05/24/00	2076	17167

Weekly Dairy Market Outlook

By Ken Bailey
Penn State University
May 19, 2000

April Milk Production up 3.7 Percent

-April milk for 20 states was 12.4 bil lbs=20

-Cow numbers continue to increase

-CME announced new Class IV contract

-Fed announces raise hike

After months of bad news it's good to have something positive to say. We planted corn in Pennsylvania about three weeks ago and have hoped for rain ever since. The Northeast is still struggling to regain subsoil moisture lost to last year's devastating drought. We had a temporary respite; this morning the rains came!

USDA announced this week that April milk production for 20-select states totaled 12.4 billion pounds, up 3.7 percent from these same states a year ago. Production per cow in April averaged 1,598 pounds, 44 pounds higher than a year ago. And the number of cows on farms continued to increase.

Cow numbers for 20-select states totaled 7.79 million head, 66,000 head more than April 1999

and 12,000 head more than March 2000.

The states with the highest production gains in April were as follows: Indiana (13.5%), Idaho (11.9%), New Mexico (10.0%), Kentucky (8.7%), Virginia (6.2%), California (6.1%), Ohio (5.7%), Arizona (4.7%), Vermont (4.4%), and Pennsylvania (2.9%). All but one of the top-10 states for milk production growth were above the 20-state average of 3.7 percent.

States with the lowest milk production growth rates for April were Michigan and Florida (0%), Minnesota (0.7%), New York (0.8%), Wisconsin (0.9%), Missouri and Washington (1.5%), and Texas (1.7%).

The Chicago Mercantile Exchange announced that they would begin trading Class IV futures and options contracts later in the summer (<http://www.cme.com/news/00-70milk.html>). This is very good news for the dairy industry since it will provide better coverage for dairy producers that want to protect their milk price.

"We are adding Class IV milk contracts to complement the dairy products currently traded on the CME," said Tim Brennan, CME Board member and Chairman of the Agricultural Products Oversight Committee. "These

contracts will provide a valuable hedging tool for dairy producers and processors."

Up until now, most dairy producers and buyers/users of milk had two contracts to deal with price risk: the Class III contract (the old BFP contract) and a butter contract. The Class III contract was popular for dairy farmers since three out of four class prices under federal orders varied with the Class III contract. The butter contract had some following, but it was cash settled and that made some people nervous. What would a dairy farmer or an ice cream maker do with a truckload of neatly wrapped boxes of butter?

The popularity of the Class III contract became uncertain January 1 due to the new changes

in federal order reform. In fact, everything changed. The Class III price continued to move with the cheese price. But the Class IV price moves with the butter price since nonfat dry milk prices are at support levels. And, the Class II price moves with the Class IV price.

The Class I price is the tricky one; in some months it will move with the Class IV price, in others the Class III price.

For dairy producers that are in federal orders with high Class I, II, and IV uses, the new Class IV contract will be a valuable tool. I can see dairy farmers using both contracts (Class III and IV) each month depending on the percent milk use in their order. For more information on the Class IV contract and how it will work, see the chat room transcript at the Downes-O'Neill website (<http://www.dairy.nu/>).

And finally, the Federal Reserve this week raised short-term interest rates by a half a point. This rate hike will result in higher interest costs to consumers who up until now have been charging up everything on their credit cards and contributing to a strong U.S. economic expansion. The problem is, however, that all that growth was leading to signs of inflation. The Fed wanted to get ahead of inflation and decided on a half point increase rather than their usual quarter point increase. This move can be viewed as both good and bad news for dairy farmers. Higher interest rates and a slow down in consumption of dairy products is obviously bad. But inflation is very very bad! More interest rate hikes could be possible down the road if signs of inflation continue

Live Cattle

Daily Prices As of :- Thursday, 25 May

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
05/25/00 Jun 00	6755	6765	6725	6742	-25	7844	30539
05/25/00 Aug 00	6740	6757	6712	6750	+10	6375	43637
05/25/00 Oct 00	7025	7037	6995	7030	+8	3284	23119
05/25/00 Dec 00	7197	7210	7180	7192	unch	742	8551
05/25/00 Feb 01	7350	7355	7340	7355	+5	172	4394
05/25/00 Apr 01	7565	7570	7560	7570	+5	133	4359
05/25/00 Jun 01	7370	7370	7370	7370	-15	10	2482

Composite	Volume	Open_Int
05/24/00	18561	117081

Lean Hogs

Daily Prices As of :- Thursday, 25 May

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
05/25/00 Jun 00	6825	6850	6755	6802	unch	6776	18771
05/25/00 Jul 00	6755	6800	6730	6767	+12	4410	16456
05/25/00 Aug 00	6565	6600	6545	6587	+22	1625	11360
05/25/00 Oct 00	5760	5810	5740	5802	+27	745	6568
05/25/00 Dec 00	5600	5640	5590	5610	+20	409	5612
05/25/00 Feb 01	5670	5695	5670	5682	+7	65	1511
05/25/00 Apr 01	5540	5540	5540	5540	+10	17	512
05/25/00 Jun 01	0	6275	6270	6270	unch	3	38
05/25/00 Jul 01	0	6220	6215	6220	unch	0	3

Composite	Volume	Open_Int
05/24/00	14051	60831

Lumber

Daily Prices As of :- Thursday, 25 May

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
05/25/00 Jul 00	28970	29510	28860	29360	+580	691	2381
05/25/00 Sep 00	29500	29670	29300	29460	+190	208	547
05/25/00 Nov 00	29520	29730	29420	29450	+20	151	300
05/25/00 Jan 01	0	30350	29750	29750	-70	4	10

Composite	Volume	Open_Int
05/24/00	1055	3238

Table 2. Milk Production and Cow Numbers for 20-select States, by Month

Month	Milk Cows			Milk per Cow			Milk Production		
	1998	1999	2000	1998	1999	2000	1998	1999	2000
Jan	7,728	7694	7765	1,466	1,518	1,578	11,327	11,679	12,256
Feb	7,716	7696	7766	1,347	1,404	1,505	10,394	10,804	11,691
Mar	7,709	7713	7774	1,515	1,585	1,631	11,678	12,228	12,679
Apr	7,713	7720	7786	1,501	1,554	1,598	11,579	11,998	12,441
May	7,719	7733		1,556	1,610		12,011	12,447	
Jun	7,718	7740		1,477	1,516		11,396	11,737	
Jul	7,709	7751		1,468	1,498		11,314	11,610	
Aug	7,708	7755		1,443	1,487		11,124	11,534	
Sep	7,701	7753		1,386	1,445		10,672	11,200	
Oct	7,695	7746		1,446	1,491		11,125	11,549	
Nov	7,697	7756		1,407	1,459		10,829	11,315	
Dec	7,708	7757		1,489	1,538		11,481	11,928	
Annual	7,710	7,735		17,500	18,104		134,930	140,029	

Source: USDA, Milk Production report.