

GRAIN, CATTLE, HOG, & MILK BFP

FUTURES MARKETS

Markets Courtesy of Chicago Board and Mercantile Exchange
Closing Bids: Thursday, Sept. 14, 2000

Month	Opening	High	Low	Closing	Settle	Net Chg
00Sep	179 3/4	180 1/4	179	178 3/4 b	179 3/4 a	179 1/4 -12
00Nov	186 1/4	187	185 1/4	185 3/4		185 3/4 -16
00Dec	191	191 1/4	189 1/2	190	189 1/2	189 3/4 -16
01Jan	195	195	193 1/2	193 1/2		193 1/2 -20
01Mar	203	203 1/4	201 1/2	201 3/4	201 1/2	201 3/4 -16
01May	210	210 1/2	208 3/4	209 1/2	209	209 1/4 -12
01Jul	216 1/2	217 1/4	215 1/2	216	216 1/2	216 1/4 -12
01Sep	223	224	222 1/2	222 1/2		222 1/2 -12
01Dec	233 1/2	234	232 1/2	232 1/2	232 3/4	232 3/4 -12
01Jul				251 n		251 -12
02Dec				251 3/4 n		251 3/4 -2
Month	Opening	High	Low	Closing	Settle	Net Chg

Month	Opening	High	Low	Closing	Settle	Net Chg
00Sep	102	102 1/4	100	101 b		101 -16
00Dec	110 1/4	110 1/2	109 1/4	109 1/2	109 1/4	109 1/2 -10
01Mar	120 1/4	120 1/4	119	119		119 -10
01May				124 b	124 1/2 a	124 1/4 -10
01Jul	129 1/2	129 1/2	129 1/2	129 1/2		129 1/2 -14
01Sep				134 1/2 b	135 a	134 3/4 -2
01Dec				139 b	140 a	139 1/2 -4
Month	Opening	High	Low	Closing	Settle	Net Chg

Month	Opening	High	Low	Closing	Settle	Net Chg
00Nov	496 1/2	497 1/2	490 1/2	492 1/2	491	491 3/4 -76
01Jan	505 1/2	507	500 1/2	502	501 1/4	501 3/4 -72
01Mar	515 1/2	516	510	512	511 1/2	511 3/4 -62
01May	522	522 1/2	517 1/2	519 1/2	518 1/2	519 -64
01Jul	530 1/2	530 1/2	525	526 1/2	525 1/2	526 -76
01Aug				525 1/2		525 1/2 -76
01Sep				525 1/2		525 1/2 -46
01Nov	530	530	527	528	527	527 1/2 -42
Month	Opening	High	Low	Closing	Settle	Net Chg

Weekly Dairy Market Outlook

By Ken Bailey
Penn State University
September 8, 2000

Outlook is for Limited Price Relief

- Cheese prices showing some strength
- Class III price will peak at \$11
- Class IV price to decline rest of year

The outlook for milk prices has been hampered by growing cow numbers in the west, cheap grain prices, and rising cheese stocks. That has kept cheese prices, and hence Class III prices, lower than I had expected for this time of the year. Those lower Class III prices have been offset somewhat with higher Class I, II, and IV prices. Overall, farm-gate milk prices will only rise about \$1 per cwt this fall in most federal orders.

The outlook for dairy commodity prices and class prices are in tables 1-2 below. The market expects butter prices will weaken and cheese prices will strengthen over the next few months. Demand for cheese has been very good so far this year and cheese volume the last few weeks at the Chicago Mercantile Exchange has been very good.

Expect NASS monthly cheese prices to average \$1.26 per pound in October and begin to decline thereafter. The NASS cheese prices are lower than expected mainly because of the extreme gap that had widened in recent weeks between the block and barrel prices. Both the blocks and barrels are used in the NASS calculation for average cheese prices. Butter prices have already peaked and will begin to decline throughout the year.

Based on forecasts of cheese prices, the Class III price will peak at just over \$11 per cwt in October. You will recall that the Class III futures prices were trading at around \$12.50 per cwt for September and October about six weeks ago. Some dairy producers I spoke with had locked in those prices using the futures markets. As of September 8, the Chicago Mercantile Exchange futures settlement price for October was \$11.10 per cwt. It was \$10.75 in December.

Class IV prices are expected to peak at \$11.90 in September and then begin to decline thereafter. That is due to the outlook for lower butter prices. The Chicago Mercantile Class IV futures prices as of September 8,

Lean Hogs

Daily Prices As of :- Thursday, 14 September

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
09/14/00	Oct 00	5435	5470	5390	5442	+30	5689 16321
09/14/00	Dec 00	5135	5165	5090	5140	+28	4566 15595
09/14/00	Feb 01	5230	5250	5200	5227	+10	516 4233
09/14/00	Apr 01	5070	5090	5045	5055	+3	65 1719
09/14/00	Jun 01	5730	5745	5710	5732	unch	25 684
09/14/00	Jul 01	5670	5677	5650	5672	-3	8 229
09/14/00	Aug 01	5495	5522	5495	5515	-5	4 136
09/14/00	Oct 01	4720	4720	4712	4712	unch	1 25
09/14/00	Dec 01	0	4585	4585	4585	-2	0 10

Composite Volume Open_Int
09/13/00 10874 38952

Live Cattle

Daily Prices As of :- Thursday, 14 September

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
09/14/00	Oct 00	6695	6790	6685	6765	+70	6245 49750
09/14/00	Dec 00	6887	6980	6885	6967	+77	3995 39740
09/14/00	Feb 01	7015	7085	7015	7072	+52	1374 17241
09/14/00	Apr 01	7227	7285	7227	7280	+43	648 9412
09/14/00	Jun 01	6985	7035	6985	7030	+30	312 3988
09/14/00	Aug 01	7015	7070	7015	7035	+15	117 2790
09/14/00	Oct 01	7285	7325	7280	7317	+32	153 749

Composite Volume Open_Int
09/13/00 12845 123670

Table 1. Forecast of Commodity Prices, 2-week and Monthly Averages for 2000, \$/lb.

	Butter		Nonfat Dry Milk		Cheese		Dry Whey	
	2-week	Monthly	2-week	Monthly	2-week	Monthly	2-week	Monthly
Jan	0.9220	0.8820	1.0125	1.0115	1.1268	1.1517	0.1870	0.1857
Feb	0.8768	0.9002	1.0114	1.0106	1.1696	1.1067	0.1859	0.1788
Mar	0.9105	0.9497	1.0104	1.0094	1.1084	1.1093	0.1800	0.1780
Apr	0.9331	1.0449	1.0098	1.0078	1.1073	1.1011	0.1771	0.1765
May	1.0618	1.1680	1.0096	1.0071	1.1035	1.1022	0.1774	0.1760
Jun	1.1140	1.2725	1.0100	1.0097	1.1011	1.1137	0.1755	0.1794
Jul	1.2911	1.1547	1.0106	1.0102	1.1060	1.2189	0.1794	0.1909
Aug	1.1729	1.1520	1.0093	1.0108	1.2269	1.1660	0.1893	0.1929
Sep 1/	1.1465	1.1561	1.0091	1.0119	1.1847	1.2295	0.1940	0.1862
Oct 1/	1.1500	1.1000	1.0100	1.0100	1.2300	1.2570	0.1865	0.1865
Nov 1/	1.1000	1.1000	1.0100	1.0100	1.2650	1.2300	0.1865	0.1865
Dec 1/	1.1000	1.0800	1.0100	1.0100	1.2300	1.2100	0.1865	0.1865
Annual avg	1.0649	1.0800	1.0102	1.0099	1.1633	1.1663	0.1838	0.1837

Source http://www.ams.usda.gov/dairy/fmor_announce.htm

1/ Forecasts

Forecasts provided by Ken Bailey, Penn State University, September 6, 2000

Table 2 Class Price Forecasts under Order Reform, CWT Prices at 3 5 Percent Butterfat

	Class I Base Price		Class II		Class III		Class IIIa/IV	
	1999	2000	1999	2000	1999	2000	1999	2000
Jan	16.84	10.90	17.14	11.43	16.27	10.05	13.12	10.73
Feb	17.34	10.71	17.64	11.51	10.27	9.54	12.78	10.80
Mar	16.27	10.84	16.57	11.71	11.62	9.54	12.36	11.00
Apr	10.27	10.93	10.57	12.10	11.81	9.41	11.06	11.38
May	11.62	11.48	11.92	12.63	11.26	9.37	11.62	11.91
Jun	11.81	11.70	12.11	13.08	11.42	9.46	13.29	12.38
Jul	11.26	12.46	11.56	12.58	13.59	10.66	12.37	11.87
Aug	11.42	11.95	11.72	12.56	15.79	10.13	12.62	11.87
Sep 1/	13.59	11.84	13.89	12.58	16.26	10.74	12.37	11.90
Oct 1/	15.79	11.85	16.09	12.34	11.49	11.05	11.78	11.64
Nov 1/	16.26	11.64	16.56	12.34	9.79	10.77	11.57	11.64
Dec 1/	11.49	11.64	11.79	12.25	9.63	10.57	10.69	11.55
Annual avg.	13.66	11.50	13.96	12.26	12.43	10.11	12.14	11.56

1/ Forecasts.

Forecasts provided by Ken Bailey, Penn State University, September 6, 2000

2000 had \$11.61 per cwt for October and a decline to \$11.50 per cwt by December.

For the remainder of the year, both the Class I mover and the Class II price will move with the Class IV price. Since the Class IV price is expected to decline, so also will the Class II price, which is equal to the Class IV skim milk price plus \$0.70 per

cwt. The Class I mover is equal to the higher of the Class III or IV skim milk price. Since the Class IV skim milk price will likely be greater than the Class III skim milk price, look for the Class I mover to decline with the Class IV price the rest of the year. For dairy producers in Class I markets, the surge in Class I demand due to kids going back to

school will help offset some of the dollar decline in the Class I mover.

You can find useful information about the dairy industry on my website at: <http://www.aers.psu.edu/dairyoutlook/>