

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

Markets Courtesy of Chicago Board and Mercantile Exchange  
Closing Bids: Thursday, June 7, 2001

## Corn

Month	Opening	High	Low	Closing	Settle	Change
01Jul	199 3/4	201 1/2	198 1/4	199	198 1/4	198 1/2 Unch
01Sep	207	209 1/4	206	207	206	206 1/2 +4
01Nov	214 1/2	216	213 1/2	213 1/2	213 1/2	213 1/2 -4
01Dec	218 1/4	220 1/2	216 1/2	217 1/4	216 1/2	217 -2
02Jan				220 1/2 n	220 1/2	220 1/2 Unch
02Mar	230	231 1/2	227 3/4	227 3/4	228	228 -2
02May	236 3/4	237 3/4	234 1/2	234 1/2	234 1/2	234 1/2 Unch
02Jul	242 3/4	244	241	241	241 1/2	241 1/4 -4
02Sep	246	246	245	245	245	245 Unch
02Dec	253	254	250	250	251 1/2	250 3/4 -4
03Jan	264 1/2	265 1/2	264 1/2	265 1/2	265 1/2	265 1/2 Unch
03Mar	262 1/2	263	262 1/2	263	263	263 +2
Month	Opening	High	Low	Closing	Settle	Change

## Soybeans

Month	Opening	High	Low	Closing	Settle	Change
01Jul	460 1/2	466 1/2	458 1/2	461	462	461 1/2 Unch
01Aug	455	461	453	456 3/4	456	456 1/4 +16
01Sep	445	450	442 1/2	448	446 1/2	447 1/4 +34
01Nov	445 1/2	449	442 1/4	446 1/2	445 1/2	446 +24
02Jan	453	456	450	454	453 1/2	453 3/4 +24
02Mar	459	463 1/2	457 1/2	461	461	461 +26
02May	463	468 1/2	463	466	465 1/2	465 3/4 +16
02Jul	468	472 1/2	468	470 1/2	470 1/2	470 1/2 +26
02Sep	475	476 3/4	474	476	476	476 +12
02Dec	515	515	515	515	515	515 Unch
Month	Opening	High	Low	Closing	Settle	Change

## Soybean Meal

Month	Opening	High	Low	Closing	Settle	Change
01Jul	169.3	171.0	167.3	168.2	168.5	168.4 -8
01Aug	164.4	165.7	162.8	163.7	163.9	163.8 -6
01Sep	158.5	160.2	157.4	158.3	158.3	158.3 -3
01Oct	154.8	156.7	154.0	154.5	154.5	154.5 -4
01Dec	154.5	155.9	153.3	153.5	154.0	153.8 -3
02Jan	154.4	156.0	153.7	154.0	154.2	154.1 -3
02Mar	154.7	155.5	153.0	154.0	154.2	154.1 -4
02May	152.5	154.5	151.5	152.0 b	152.1 a	152.1 Unch
02Jul	153.0	153.0	151.8	151.7 b	152.0 a	151.8 Unch
02Aug				152.0 b	152.1 a	152.0 +3
02Sep				152.0 b	152.1 a	152.0 Unch
02Dec				151.5 b	153.0 a	152.2 Unch
Month	Opening	High	Low	Closing	Settle	Change

## Weekly Dairy Market Outlook

Ken Bailey  
Penn State

USDA Tilts  
Butter-Powder  
Support Prices

- Nonfat dry milk falls 10.32 cents to \$0.90/pound.
- Butter increases 19.99 cents to \$0.8548/pound.
- Cheese prices remain unchanged.

USDA announced on May 31, 2001 an adjustment in the Commodity Credit Corporation (CCC) purchase prices for dairy products under the dairy price support program. The support price for nonfat dry milk was lowered 10.32 cents per pound to \$0.90 and the support price for butter was raised 19.99 cents per pound to \$0.8548. The cheese price was left unchanged.

This change in the price support program was anticipated. Last year (fiscal year 2000), the CCC purchased about 48 percent of domestic production of nonfat dry milk. And as of April 1 this year the CCC reportedly had 772 million pounds of

nonfat dry milk on hand. That is equal to year's worth of domestic use! The government was clearly stockpiling surplus powder and had no plans for its use.

The dairy price support program was created in the early 1950s to support the manufacturing price of milk at a specified level that changed over time. The 2001 Appropriations Bill extended the price support program through calendar year 2001 at the 2000 support price of \$9.90 per CWT. By supporting the manufacturing price of milk, the USDA essentially provides a floor to farm-gate milk prices.

The support price program works by offering to purchase surplus amounts of cheese, butter, and nonfat dry milk at specified prices. These prices are computed in relation to the \$9.90 support price for milk. On January 1, 2001, USDA used the formulas from the federal orders to compute CCC purchase prices at \$1.1314 per pound for block cheese, \$1.0132 for nonfat

dry milk, and \$0.6549 for butter.

The price support program has a direct impact on farm-gate milk prices. Last year cheese prices fell below the CCC purchase price for cheese. Very few cheese plants in the West wanted to sell cheese to the government. Nonetheless, it did provide a psychological support to cheese. That in turn kept the Class III price of milk from free falling below \$8.57 per CWT. That provided minimum support to all federal orders that had Class III sales.

The price support program had a very high level of support for nonfat dry milk at \$1.01 per pound. In fact, many in industry argued it was "too high." This distortion in prices resulted in very limited commercial use for nonfat dry milk. Imports of Milk Protein Concentrates, or MPC's, increased into the U.S. in reaction to the high price of nonfat dry milk.

The high powder price also unintentionally raised the Class IV price of milk used for nonfat dry milk and butter production. That's because of the formula for Class IV defined in federal order reform. A higher Class IV

## Lean Hogs

Daily Prices As of :- Thursday, 7 June

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
06/07/01	Jun 01	6935	6960	6917	6952	+22	1795 7572
06/07/01	Jul 01	6760	6775	6697	6762	+52	2641 11746
06/07/01	Aug 01	6500	6515	6450	6482	+17	1446 9777
06/07/01	Oct 01	5460	5485	5435	5467	+7	408 7826
06/07/01	Dec 01	5165	5195	5140	5160	+18	187 4705
06/07/01	Feb 02	5250	5260	5250	5255	+5	26 1337
06/07/01	Apr 02	5255	5285	5240	5240	-10	6 315
06/07/01	May 02	6100	6102	6060	6060	-42	39 61
06/07/01	Jun 02	6202	6227	6202	6227	+20	25 50

Composite Volume Open\_Int

06/06/01 6574 43389

## Live Cattle

Daily Prices As of :- Thursday, 7 June

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
06/07/01	Jun 01	7412	7420	7370	7392	-35	2790 14900
06/07/01	Aug 01	7355	7375	7317	7350	-7	5171 49351
06/07/01	Oct 01	7540	7540	7495	7515	-25	8237 25305
06/07/01	Dec 01	7592	7600	7560	7575	-22	6642 15267
06/07/01	Feb 02	7587	7590	7572	7575	-30	5881 7129
06/07/01	Apr 02	7740	7747	7722	7730	-20	56 3809
06/07/01	Jun 02	7360	7375	7360	7375	-25	8 213

Composite Volume Open\_Int

06/06/01 28785 115974

## Pork Bellies

Daily Prices As of :- Thursday, 7 June

Date	Open	High	Low	Last	Chge	Prev. Volume	Prev. Open_Int
06/07/01	Jul 01	8050	8220	8010	8075	+58	502 1720
06/07/01	Aug 01	7890	8085	7890	7927	+55	78 412
06/07/01	Feb 02	7365	7380	7340	7375	+60	3 129
06/07/01	Mar 02	0	7370	7370	7370	+168	0 3
06/07/01	May 02	0	7360	7360	7360	+150	0 4

Composite Volume Open\_Int

06/06/01 583 2269

## Oats

111 3/4	112 1/4	110 1/2	110 3/4	110 1/2	110 1/2	Unch
111	111 1/2	110	110	110	110	+2
116 1/2	117	116 1/4	116 1/2	116 1/2	116 1/2	+10
122 1/4	122 1/2	122 1/4	122 1/4 a	122 1/4	122 1/4	+2
			125 1/2 a	125 1/2	125 1/2	+2

price also raised the Class II and Class I prices. Thus producers in federal orders with significant sales of milk used for Class I, II, and IV purposes (that is, the Northeast and Southeast) received high and stable farm-gate milk price thanks to the support price for nonfat dry milk.

The farm price impact of this adjustment is not as clear as some might argue. On the one hand, the National Milk Producers Federation, a group that represents cooperatives, released a report that this move will lower the Class IV price by \$0.90 per CWT and reduce dairy farm income nationwide by \$818 million. This analysis of course assumes that nonfat dry milk prices will fall 10.3 cents per pound to \$0.90 for the rest of the year.

It is likely that this will not occur because the export market for powder is very tight right now. Europe has very limited supplies of powder because of the outbreak of food and mouth disease. World prices for nonfat dry milk are close to \$1 per pound.

And, because of the price adjustment by USDA, U.S. prices are now very competitive in world markets. Thus world trade will likely keep nonfat dry milk prices from dropping the full 10.3 cents.

What we do know is that the rise in the butter CCC purchase price will have no impact on the domestic price of butter. That's because the Grade AA butter prices at the Chicago Mercantile Exchange are trading at levels well in excess of the new CCC purchase price. Who would want to sell butter with a market value of \$1.91 per pound to the government for \$0.8548 per pound?

The futures markets at the Chicago Mercantile Exchange reacted immediately to the news from USDA. Class IV futures prices fell 40-50 cents per CWT for the months June 2001 September 2001. Class IV prices, however, are still at very favorable levels, peaking at \$14.95 per CWT in August 2001. And this market reaction does not represent the final word on the ultimate price impacts.

USDA chose a very favorable time to make an adjustment that most in the industry knew would ultimately have to take place. Milk prices are high and climbing even higher. Powder production in the U.S. is likely to be below a year ago. And the international market is looking for an alternative source of powder. USDA's only other choice would have been to build more underground storage in Kansas City!