

# Marketing expert predicts grain futures

LANCASTER — More than 100 southeastern Pennsylvania agriculture business leaders gathered here at the Treadway Inn Tuesday evening for the annual Penn Ag grain meeting. According to Penn Ag President Morris Brown, the meeting is customarily held at the start of the grain harvest in the state.

Speaking about futures and grain markets to the gathering was Daniel G. Amstutz, general partner of Goldman, Sachs & Co. in New York. He enlightened the group on the constancy of change in the grain business.

Citing the current weather changes being experienced by Cornbelt farmers in the past three months, Amstutz called the ag leaders' attentions to a front page story in the New York Times which reported on the heavy rainfalls "following on the heels of drought" in the Midwest. This weather has created a vast uncertainty in grain forecasts.

Looking to the USDA estimates for grain production figures for this year as a measure of things to come, Amstutz quoted the world forecast at 1,636,000,000 tons of grain waiting to be harvested. This figure is up 4.6 percent over last year. Of the 71 million ton increase, 46 million tons will come from the predicted increase in U.S. grain production, he pointed out. Amstutz linked this production with a greater carry over in wheat and coarse grain reserves.

Since all eyes are looking to the U.S.S.R. and future U.S. grain deals, Amstutz reviewed the USDA prediction that the U.S.S.R. will be importing 33.5 million tons of grain this year and 35 million tons next year to "add to their reserves."

Their 1981 harvest is predicted to be 210 million tons larger than their harvest a year ago.

However, Amstutz questioned the accuracy of this optimistic forecast for increased Russian grain imports. "Their history is not to import to increase their reserves," he stated.

The marketing expert explained the Russians buy most of their grain (22 million tons) from Canada, Argentina, and Australia. He predicted U.S. exports of grain to the U.S.S.R. "will not be lower than 8 million, but they won't be much more than 2 to 4 million ton over that."

"The Soviets are good traders, buyers, and planners," he said, noting the outlook was not positive for substantial increases in exports to the U.S.S.R.

The Chinese will not be buying much more U.S. grain, Amstutz predicted, since their harvest is forecast to be more than 7 million tons greater than last year during which they imported 15 million tons of grain. He stated the import figure for China would fall somewhere in the 13 million ton range this year.

As far as the U.S. price outlook appears, Amstutz said it's "clear" — "low prices seem to be indicated."

"By 1982, corn will be below \$3, soybeans will drop below \$7, and wheat will go below \$4," Amstutz predicted, "perhaps significantly below."

He advised the ag business leaders to remember:

- the law of supply and demand is real;
- that momentum is real, with a force and strength of its own;
- that momentum never lasts

forever;

— not to rely on the accuracy of government forecasts; and

— things don't get as bad as the doom say'ers predict or as good as the folks wearing rose-colored glasses say.

He philosophized there is "no such thing as a little too much or a little too little."

"When there's too little, usage is rationed by economics and the weakest financial user. When there's too much, usage falls to the base support levels," he said.

"The challenge of the world is to feed itself," Amstutz stated. "The burden is on U.S. agriculture — supply adequacy is the problem, not inadequacy."

"Markets don't care about tomorrow but today, especially when you're dealing with a living commodity," he added. "The way markets work, prices respond to demand."

The futures expert recommended business leaders "try to look for a countervailing factor when the momentum in the grain market is down" that will change the price trends, such as the weather.

"It's worth watching those spring sown crops — here and elsewhere in the world," he said, observing the market is more bullish when there is bad weather news and more bearish with good weather reports.

Other factors that can influence the grain market, he said, include sudden government actions, world peace, and interest rates.

"Government surprises tend to have a more bullish effect than bearish," Amstutz said.

Concerning interest rates, the market forecaster predicted rates



Penn Ag President Morris Brown, right, reviews the Monday grain meeting agenda with speaker Daniel Amstutz.

to be down to 14-15 percent by summer. However, he suggested these rates only will have a short term effect on prices since grain and food are relatively inelastic.

Amstutz concluded by repeating his prediction for low prices this

year in the grain business, noting prices are "a lot closer to the down side than the upside potential."

"Agriculture has the most growth potential of any industry today," he said in closing. "We must think on the good side."—SM



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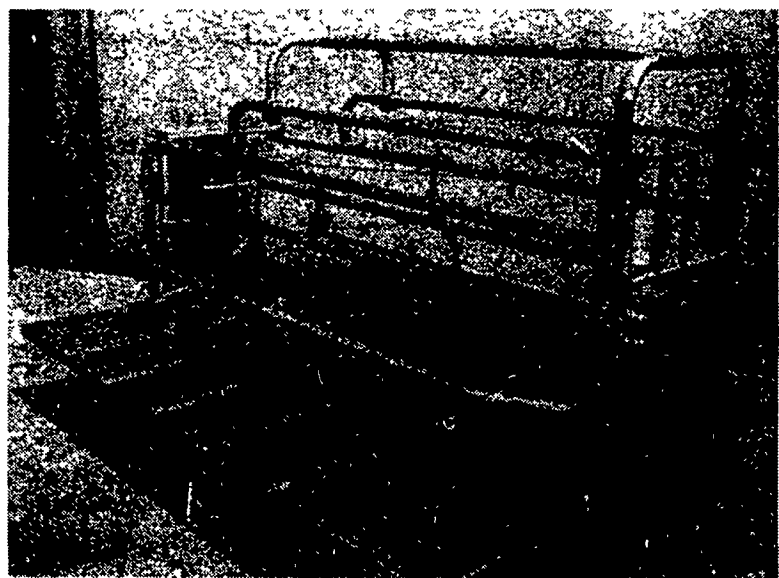
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