Look into Futures

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GRAINS

Strong corn exports this week are lending further support to the six-week rally we have seen. Of the 43 million bushels shipped this week, Russia and Japan took 11.5 and 9.9 million bushels respectively. Ideas about continued trade activity have pushed May corn up toward 3.60. However, several factors could temper the rally.

New crop wheat supplies look adequate and displacement of corn by wheat which has been so prevalent this year could continue. Also, as export quality #2 and #3 corn get scarce, price rationing and additional premiums may force large foreign buyers out of the market.

World economics, which are still in much more of a recession than we Americans tend to believe, have gotten quite accustomed of late of living hand to mouth. Buyers who can defer purchases until new crop lower prices become available, will probably try to limit their trade activity this summer.

The soybean complex is on the same up trend as corn, but looks tentative in the short run. Uncertainties about Brazilian marketing policy and rumors about poor Brazilian soybean oil quality and meal demand have clouded the fundamental picture.

Brazil has made an apparent attempt to support prices by withholding export registrations. This week they lengthened the period in which the registration will be in the effect but have allowed shipments a loophole. Ships will be allowed to forward load export supplies in anticipation of the government prematurely lifting registration requirements.

We have come to expect this from the Brazilians. They are in dire need of foreign currency to pay their debts; so regardless of what they do in the short run, they can be expected to aggressively export every last bit of oil and meal they produce.

From the supply side, analysts expect Brazilian production around 15 million metric tons — down from early estimates near 16 million metric tons (a decline of about 37 million bushels). Malaysian palm oil supplies have not yet shown their seasonal rebound and all oil supplies still remain tight. This is all bullish, but for the most part already reflected in futures prices.

From the demand side, while oil movement remains steady and domestic crush rate is ahead of the pace needed to meet the USDA forecast (20 million bushels currently vs. 17.2 — USDA), meal demand remains poor.

Basis bids for meal at the Gulf of Mexico are $35 per ton under Chicago futures, which indicates a very weak market. Either basis could improve (demand pickup) or prices in Chicago could decline.

The strength in meal prices on the board for the last three weeks has been partly due to sympathy with oil and beans and partly to rumors of heavy Russian purchases.

So far, there is little evidence to support these rumors of meal purchases. Some well placed sources indicate the Russians may do significant whole bean purchases rather than meal in the near future. Thus while the short term trend is sideways to up, most technicians agree that the long term trend remains down in soybean meal. Within a week we should have a better feel for a direction in meal prices.

LIVESTOCK

The livestock markets are still digesting the numbers from last week's bullish Hogs and Pigs Report. Analysts are looking for $60 to $65 cwt in the summer months, as the seasonal decline in numbers continues. Some are calling for hogs equal to or at a premium to cattle by midsummer.

There is evidence that warehouses are aggressively buying hogs now for storage and resale when the summer price increases occur. This has helped to keep the April hog contract on a steady uptrend despite heavy slaughter rates.

The weak financial position of many hog operators could put a damper on aggressive herd expansion. Until producers can lock in hedges at a hog to corn ratio above 17 to 1, herd expansion is unlikely. Historically, however, expansion as not occurred until farmers actually see the cheap feed at harvest time.

Cattle markets continue to mystify market observers by their behavior. Although they seemed to rally in sympathy with the hogs last week, the April and June contracts have shown difficulty taking out contract highs.

Weather problems in the midwest are causing problems of backup, gain and quality for fat cattle. Further precipitation can only worsen the situation in the near term. Premiums for clean cattle can be expected. Retail movement last week seemed to clean up inventories but only the lower prices. Indications are that inventories are again accumulating at the 1.06 cwt level as slaughter supply still exceeds near term demand. Packer margins remain negative and slaughter is expected to be held below 130,000 per day until the bottom lines can be improved.

Near term, retail movement is slow and both hogs and cattle can be pressured. However, with poor feedlock conditions causing many large feeders to move cattle early and the bullish hog fundamentals, a very constructive scenario is developing for the summer livestock markets. One should keep in mind that we are not far away from cookouts and BLT season.

Sheep breeders to meet

FLEMINGTON, N.J. — The condition known as pregnancy toxemia in sheep will be the subject of Monday's meeting of the Hunterdon County Sheep Breeders' Association at the Extension Center, Rt. 31, north of Flemington. The meeting is set to begin at 8 p.m., according to Richard Betts, Stanton, program coordinator.

Pregnancy toxemia, says Betts, is a malady that affects the ewe several weeks before lambing. Unless it is detected in its early stages, it can be fatal to the ewe and the lamb. It is caused by low blood sugar.

The condition, treatment and prevention, will be discussed by members of the group.

The meeting is open to all persons interested in breeding and raising sheep.