

# Look into Futures

By Dick Slay

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Wednesday, April 18:  
On Monday the USDA will release its April 1st stocks report. The market has been greatly anticipating this report because it will tell us how much grain we have to get through until the new crops are harvested this fall.

Thomson McKinnon's grain analyst, Cathy Leow, has compiled some preliminary data concerning the upcoming report. According to her unofficial survey of grain analysts in the United States, the following numbers are projected for the stocks report.

Soybeans stocks are projected to be between 759 million and 822 million bushels with an average estimation of 791 million. Corn is estimated between 2.8 billion and 3.3 billion bushels with an average of 3.05 billion. Wheat is estimated at 1.6 billion and 1.75 billion with an average of 1.7 billion. The

soybeans and corn market reaction to the stocks report could be extremely volatile.

In soybeans the implications to the market of the stocks number is much easier to discern than for corn. This is primarily due to the fact that soybean useage can be monitored more closely on a weekly basis due to the availability of crushing numbers and export figures. In corn the useage numbers are merely an estimation based on USDA projections.

USDA projected soybean useage for the balance of this crop year (April thru August) is 357 million for crushing, 238 million for exports and 70 million bushels for seed — giving a total of 665 million bushels.

Some analysts believe the exports could be even 30 million bushels higher since the current export pace is exceeding the USDA

number by that amount.

To be comfortable the market needs at least 665 million bushels plus 120 million bushels carry out — for a total of 785 to 815.

Since the average stocks estimate is 791 million bushels, the number 785 would be neutral to friendly.

Stocks	Probably Implication
Less than 770	Bullish
770-780	Friendly
780-800	Neutral to Friendly
800-810	Neutral to Negative
810-over	Negative to Bearish

Normally 1.3 billion bushel carry out projection would be very bullish. However, since we are late in the season and we know that the southern hemisphere exports are coming on stream, this number should not worry the market too much.

In fact, the number above 800 million bushels might be construed as negative since the soybean export pace should drop off dramatically with the Brazilian and Argentine export season coming up to full steam.

The implications for corn are less clear. USDA projects exports for the balance of this season to be 860 million bushels. They expect 530 million bushels of corn to be processed, but have given no indication as to the projected amount that will be fed.

In the past 10 years corn useage for the period between April and September has averaged about 1.46 billion bushels with useage last year approximately 1.73 billion bushels. Because our U.S. production was most likely overestimated for last year, the 1.73 figure will probably be closer to 1.6.

The lowest feed useage for April — September was in the '73-'74 crop year with 1.14 billion bushels used — however, total feed that year was about 20% less than the USDA forecast. We will probably need over 1.3 billion bushels for feed use this year, even given the large wheat feeding that has taken place.

If 1.3 billion bushels is in fact fed, and 20 million bushels is used for seed, our total useage will be approximately 2.7 billion bushels. The market needs about 500 million bushels for a comfortable carry out. This would give us a total stocks need as of April 1st at approximately 3.2 billion bushels.

Stocks	Probably Implication
2.8-3.0	Bullish
3.0-3.1	Friendly
3.1-3.2	Neutral to Friendly
3.2-3.3	Neutral to Negative
3.3-Over	Negative to Bearish

If the projected average of 3.05 is confirmed by this report, the corn market could remain very strong for the rest of this season.

One cannot over estimate the importance of this report. The market is trying to get by with the lowest carry out stocks in the past 7 years. If stocks are too tight, price rationing will undoubtedly take place.

After USDA's last two reports, there is much concern about the validity of their numbers. Many analysts believe that January's production report overestimated production by 50-60 million bushels. The January stocks report indicated that the 50-60 million bushels had mysteriously disappeared.

The USDA is currently planning to revise production and stocks numbers for the last few years. They are no doubt doing their utmost to produce an April stocks report which is accurate. This is very much needed in order to restore the market's faith in USDA's reporting ability.

## Livestock:

Wednesday afternoon (4/18), the USDA released its 13 and 7 state cattle on feeds report. The report was considered very bearish for cattle markets and to a lesser extent the livestock markets in general.

Analysts had expected cattle on feed to be about 1% above last year's placements. The report indicated that it was 2% above. Those same analysts had projected January - March placements to be 8.6% above last year's; the report indicated that the number was 10% higher. Also analysts had projected January to March markets to be 2% above last year; they were, according to this report, equal to last year.

Each of these three numbers can be considered negative for the cattle markets. Many people believe that the hog markets will in kind be negatively affected.

Profit margins have been good recently. This has caused an increase in placements, especially in the high plains area of the midwest. These high placements are mostly due to the fact that feed lots in the corn belt have been extremely muddy causing severe problems with rates of gain.

Some analysts believe that the recent weakness in the livestock markets over the past two weeks was a reflection of traders and hedgers expecting these high placement numbers as indicated in the cattle on feed report. If this is the case, livestock markets may continue only sideways to slightly down.

Cash prices for both beef and pork continue to be very weak. This is especially noted in beef where boxed beef prices have moved from recent highs of 107 down to 102. Lower cutout values have accompanied these lower prices.

Contributing to the weakness in the red meat markets has been the slack demand for pork bellies. This has continued to weigh on hog futures and some technicians expect the June hog contract to move down toward \$55 before regaining strength this summer. The most critical factor for livestock markets is a rebound in consumer demand for red meats. This can expect to happen once good weather is upon us and the seasonally strong cookout season begins.

## Kay Swartz heads apple committee

HARRISBURG — Kay Swartz, Marketing Representative for the Pennsylvania Apple Marketing Board, Harrisburg, has been elected by the Eastern Apple Committee to serve as Chairman for 1984-85.

Swartz succeeds James Chaffins, Secretary/Manager of the Virginia State Apple Commission, Staunton, Va., who has chaired the committee since March of 1982.

The Eastern Apple Committee is comprised of eight state apple marketing program representatives which finance and conduct eastern apple advertising and publicity programs.

Kay Swartz brings to the chairmanship nearly two years of apple promotion expertise as marketing representative and promotions and public relations coordinator with the Pennsylvania Apple Marketing Board. Prior to joining the staff of Pennsylvania, Kay had been engaged in promotional work for Pennsylvania Agriculture.

States other than Pennsylvania who support and participate in the Eastern Apple Committee are, Maryland, Delaware, Georgia, New Jersey, North Carolina, Virginia and West Virginia.

Assisting with the administering

of the committee are Vice-Chairman John Reinhart, Md.; Secretary, Gene Sine, Va.; and member-at-large, James Chaffins, Va.

The March 30 annual meeting of the Eastern Apple Committee was devoted to program review and development for the 1984-85 year, including plans for an Eastern Apple Booth at the 1984 Produce Marketing Association Convention and the 1985 United Fresh Fruit and Vegetable Association Convention; public relations program aimed at reaching the retail trade; and point-of-purchase materials to simulate on the spot buying of Eastern Apples.



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