

Look into Futures

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GRAINS

In the past week we have experienced a small rally in the grains. This has been due to increased activity of Russian buying and short covering — speculators who are buying back their short positions on the market. Currently the market looks to be trading on a 7.8 billion bushel corn crop with yields projected about 110 bushels per acre.

Friday, August 10, the USDA will release its Crop Production Report and analysts are looking for a crop of 7.7-7.8 billion bushels.

The comparison between this year and 1982 are common. However, one must acknowledge that this year's weather, although cooler than 1982, has not been as favorable. The lack of rain to a large extent has been offset by temperatures which on average have been 10 degrees below normal highs. Some agronomists believe that under these conditions we can make do with 60 percent of normal rainfall. In general, the crop continues to improve each week with most states increasing their acreage in the good to excellent category.

Several interesting developments have occurred recently in the grain markets. The Russians are buying corn as if it were going out of style. We find this particularly interesting since there are projections for price to drop another 30 cents. Normally the Russians buy grain when either the price of grain is cheap or the price of gold is expensive — gold being their major form of funding international trade. Their premature trade activity strongly indicates that they have a crop problem on their hands.

It is particularly characteristic of the Russians to lie whenever it can be to their advantage. Recently a Soviet official said that

grain buying was not related to their crop size, rather that the buying was related to their increased grain storage capacity that they went to utilize. Further, he said that U.S. farmers should not be misled by recent activity and that "next year the USSR may not be back buying US grain in large quantities". One can only conclude that the Russians would prefer to see the price continue to go down so that they can make further purchases at a lower price. The overall export outlook looks poor despite proclamations to the contrary that were recently made by the USDA. Some people are getting excited about wheat since recent export pace has picked up. A closer analysis of the situation shows that except for recent Chinese buying, demand for soft red wheat is rather slack. Furthermore, if the Chinese wait until 1985 to take the balance of their long term agreement, there will be little effect on this year's prices. One should be aware of a little known clause in our long term agreement with China which says that they can reduce US purchases provided they reduce purchases from other countries proportionately. In light of China's recent record wheat crop, and their refusal to make further purchases from major suppliers like France and Canada one could expect the Chinese to utilize the above mentioned loophole if their backs were against the wall. We can never trust the Communists to do us any favors when it comes to money.

One bullish factor in the wheat market is the increased amount of soft red feeding. Last year's initial resistance to feeding wheat has now been overcome and with that experience livestock people are increasing their wheat in the rations. The future market does not really reflect how cheap cash

wheat is.

Another potentially bullish fact in the wheat market is the free stocks situation. With 38 million bushels in the CCC and 15 million bushels more to be entered, free stocks could be down to 20 million bushels. Although the general fundamentals are very negative for wheat (with Russia the only country with crop problems), there is little upside potential in the wheat market.

So far this year the Russians have taken 5 million metric tons with the possibility of taking another 3 million metric tons. Even if they take the full allotment of their port capacity, one cannot expect the price to move above 3.80 in wheat and 3.00 in corn. That is why the price has not significantly rallied even though the Russians continue to make large purchases.

Indicative of the poor world demand situation is the fact that Brazil has been unable to ship soybean meal at prices that they can consider acceptable. They are lowering their price. Since the US is a residual supplier of soybean products, right we will only be able to export so long as we give subsidies. Even though soil stocks remain low, one cannot get very bullish about soybeans and especially soybean meal. Some analysts expect soybean meal to reach \$135.00 ton by the end of the year.

In general, the overriding tone to the market is negative and we feel that any rallies should be used to lock in prices. The futures market is an attractive place to do this since one can lift a hedge as a farmer feels that the price has either reached bottom or is ex-

pected to move higher. We are always willing to discuss farmer marketing strategies with those who are interested in learning about the futures market.

LIVESTOCK

We are finally starting to see a little bit of strength in the livestock market. The extreme barrishness in the market appears to have run its course as the market has already discounted talk of livestock slaughters to come — 155,000 in the cattle and 320,000 in the hogs. With the discounts of the futures to cash at more manageable levels, one would expect the market to trade sideways and find support over the next several weeks.

The cattle market is still concerned about the large second quarters placements which will be coming to market in the next two to three weeks. We need to have these animals moved through the market in order to clean up near term supply thereby setting the stage for a longer term rally. We would think that the heavier the slaughter is now, the better the price prospects will be for fourth quarter marketing.

Poultry and beef remain the main retail features with pork only evident about once a month. One cannot expect the retailers to change this anytime soon since they have been making money in chicken and hamburger and have had continued problems moving pork products.

If the recent support in grains holds up for any significant time, one would expect the back months of the hog and cattle markets to stage a rally. But if grains break,

one could expect these contracts to fall very hard — "cheap feed makes cheap meat".

Adding to the problems in the hog market, has been the large frozen stocks of pork bellies which has been a black cloud over the market for many weeks. It is encouraging, however, that many packers who were shut down recently, have come back into the business. Clearly they feel that the cash price has found some support and can begin packing again with limited down side risk. We would expect cash hogs to find good support in the 53.00 area. Slaughter weights have been coming down which indicates that feeders are current and will not encourage a back up of animals. Despite the projected large slaughter for the third and fourth quarters of this year, we feel that the market has already discounted this information and a rally — if only short lived, should be experienced later this summer in the hog complex.

Since cash forward contracts are very difficult to come by in the livestock market, the futures market provide a good opportunity for farmers to lock in profitable selling prices with fairly cheap feeder pig prices and prospects of cheap grain in the fall. Many farmers have already successfully utilized the futures market to lock in large profit margins for the rest of 1984 and the first half of 1985. We would encourage both grain and livestock farmers to increase their marketing knowledge by studying and introducing themselves to the futures market.

Jr. Holstein sale set in N.Y.

ITHACA, N.Y. — The New York State Junior Holstein Association will be sponsoring the first Junior Progress Sale at Empire Farm Days, Tuesday - Thursday at Holcomb, N.Y. The sale will be held in conjunction with the Senior Holstein Association's Bull Sale.

There will be nine February and March calves offered for sale over the three days. On Tuesday, Aug. 7, all sales will be limited to people 21 years of age and under. Each completed sale will include one quality Registered Holstein calf and, also, a one year's paid membership in the New York State

Junior Holstein Association. On August 8 and 9, the sale is open to all interested buyers, on a first come, first buy basis, until all animals are sold. Some reserve calves of equal quality have been selected in the event all the calves are sold after the second day.

The calves are sired by proven bulls and the dams are scored Good Plus or better, with at least a GP Mammary. The dams of the calves have 19,000 lbs., or greater, ME milk records.

Although this sale is geared toward youth, young dairymen

interested in getting started in Registered Holsteins are also encouraged to visit our tent at Empire Farm Days. The calves will be reasonably priced, as set by the consignor, and will be a good buy.

The sale will be conducted by Junior members and will give them experience in merchandising Registered Holsteins.

For further information on the Junior Progress Sale, contact the New York Holstein Association, P.O. Box 190, Ithaca, New York 14851 (Phone: 607-273-7591).

Hi-Protein Breeders

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doesn't want a thick shake, a flavorful glass of cold milk from the jetshake machine has a greater chance of replacing that can of soda that is so easily reached.

The Hi-Protein Breeders encourage all dairymen to join their organization and further their

efforts. Anyone interested in promoting a higher quality product can contact Hollenbach or William Zollers, Mertztown, president. Members of the organization will also be available at the Kutztown Fair to answer any questions and show off their new purchase.

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Tractors & Horse Drawn Farm Equipment-Supplies-Small Items

FRIDAY, AUGUST 10, 1984

SALE OF SMALL ITEMS 9:00 A.M.

FARM EQUIPMENT 10:00 A.M.

NOTICE

Late Consignments Just Received
See Page D30
For Full Listing

10' Little Britain Spring Harrow, like new
Top Buggy, good condition
Ground driven corn binder, good
#9 7' NH mower, new
HG Crawler and spare parts
6 front end suitcase weights for MF
Tractor
Bearcat Grinder-Mixer
IH 12' Harrow
Zimmerman Sprayer
Rotary Hoe
Schmidley hog feeder
MF trailer mower

JD #336 Baler
Woods 3 pt. Mower
Lely Hay Tedder
NH #477 Haybine
NH #476 Haybine
MF 3 pt. Mower
JD KBA Disc
Brillion 8' Seeder
NH tandem hay hitch
Farmall A Tractor w/cultivators
JD 216 Tandem axle Forage Wagon w/roof
Ford Jubilee
Farmall 656 Diesel Tractor
Cadet 102 Lawn Tractor
NH 8 h.p. Lawn Tractor
JD 110 Lawn Tractor
Bohlens 10 h.p. Riding Mower
Dinamar Riding Tractor