Look into Futures

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GRAINS

Prices at the Chicago board of trade continue their firming trend this week based on poorer crop conditions and prospects increasee exports activity.

Crop condition updates for this week indicate that there has been some further deterioration in both corn and soybean areas. For example, 61% of the corn in Illinois was rated good to excellent compared with 72% a week ago. Soybeans in Illinois were rated 46% good to excellent compared with 62% a week ago.

Rumors of U.S.S.R. grain purchases continue to effect the future's market. However, some believe that the actual amount could be less than what the market expects. The U.S.S.R. may have purchased as much as 300,000 tons of U.S. soybeans in August for fall delivery. We are told that the activity of major commercial buyers, like cArgill & Dreyfus, has linked to this Russian buying.

What's of note is that these market rallies have been followed by aggressive cash movement of Midwestern grain, both corn and soybeans. What has happened is that farmers see a strong price at the board of trade and cash forward contract and grain through local elevators. The elevator in turn sells the futures contract to protect himself against price decline thereby insuring that the farmer can receive the agreed upon price.

This heavy contracting, after the market closes, has led to several weak openings on the board. One must interpret this as a sign that farmers feel very comfortable with both the condition of the crops and these price levels. I have always believed that cash movement of grain is a much better indicator of crop condition than any satellite computer.

In general, new crop corn is showing excellent support at $2.75 per bushel and great resistance at $2.88 per bushel. Likewise new crop soybeans show support at $6 and resistance on the way from $6.40 to $6.60. One can expect to see prices remain in these trading ranges until weather patterns for September become more apparent. One of the most interesting developments in the futures market concerns the spread between September and December corn. december corn clearly represents the new crop while September corn represents the transition from old crop to new crop. This year, with the crop planted late, uncertain weather patterns and a severe shortage of physical corn in Chicago, the September contract will behave both as old crop and new crop.

Participants in the September contract are either short or long. This means that they will either deliver corn to Chicago at a specified price (short) or they will take delivery of that same corn (long). Traditionally, as new crop supplies hit the market during the month of September, the premium of September over December disintegrates — ie: September corn becomes worthless as buyers wait for cheaper corn as the harvest continues.

This year there is virtually no corn in deliverable positions in Chicago. This means that those people who are short in the market will either have to find cash corn to deliver or they will have to buy back their contracts. As the longs stand willing for delivery, they could force a squeeze on the shorts thereby causing the September premium to skyrocket.

In the last 13 years, this spread has always gone to even money — September loses its premium. What concerns the market this year more than any other year int the past is that cash cron in Chicago is nonexistent and it is uncertain whether any new crop corn will move into CHicago before the end of the delivery period. With basis levels remaining firm in Chicago and at the Gulf of Mexico ($41 & $51 over the September, respectively), the market will remain very, very nervous until we start harvesting corn and moving it into Chicago.

Some of our clients have locked in basic contracts against the September contract and are waiting for a squeeze on the shorts in order to lock in their board price. This is a tactic used only by farmers who can harvest and delivery corn in the month of September. We would be eager to discuss these more sophisticated techniques of grain marketing with those farmers who are interested.

LIVESTOCK

In the pork complex, the black could of smuggish product movement still hangs over the market. Live hog prices have been pressured due to poor outmovement of frozen bellies and hams from storage.

The cashmarket is adequately satisfying the need for products and thus the frozen stocks remain in storage. Therefore, pressuring hog prices is an increase in animals available for slaughter. This week slaughters move above 300,000 and are expected to continue on an upward trend for at least the next month. This should keep live hog prices pressured near the $50 mark. However, some analysts belive that once we move this near term glut of animals through the market, prices should rebound to the $55-$57 area.

The same bearish scenario exists for cattle with a large backlog of boxed beef at the packer level. With cut-out value down and cash movement sluggish, we do not see a significant move up in cattle prices the next few weeks. In short, we do not anticipate hedging any cattle or hogs until we see a significant upturn in markets.

PPF to hold marketing order meeting

LANCASTER — The Pennsylvania Poultry Federation will hold an informational meeting on egg marketing orders on Tuesday evening, August 28, at 7:30 p.m. at the Lancaster Farm and Home Center.

Jerry Weber, general manager of Midwest Egg Producers and chairman of the United Egg Producer's Egg Marketing Order Committee will be the featured speaker. He will present and explain the options open to producers regarding a marketing order.

Christine Bushway, general manager of Northeast Egg Marketing Association, will also be on hand to address specific problems and questions.

The meeting is open to all egg producers and allied industry personnel. For more information contact the Pa. Poultry Federation, 717-652-7530.

Teaching guides available

YORK — York Co. Conservation District has a large supply of resource guides available free to teachers and other educators.

Pennsylvania Environmental Education Resource Guide For Teachers lists environmental education centers and organizations throughout the state, as well as describing events and mapping major hiking trails.

Agriculture Education Resource Guide describes teaching materials which enhance a student's knowledge of where food comes from and how it is grown. The guide lists grade levels and costs of materials (if any). The agriculture resource guide is available in limited quantities from the District. Contact K.J. Heffernan, 755-0406, York Co. Conservation District, 118 Pleasant Acres Rd., York, PA 17402.