



PHOTO: RUSS MUNN

SOYBEAN PRICES SHOULD STAY EVEN with last year's levels through midsummer, believes Illinois farmer Dan DeBoer. He's forward contracting now and buying out-of-the-money calls for rally protection.

SEASONAL TRENDS INTO SUMMER

Look for corn and soybean markets to track their traditional trends into the middle of the summer, says Chicago Heights, Ill., farmer and market adviser Dan DeBoer (photo). "With normal weather, I think we'll see corn reach its seasonal peak around the third week in June," he says. "At that point, I would expect December futures prices to be 20¢ below where they were a year ago. That would put December futures in the \$2.75-to-\$2.80 range. With tight supplies, dry weather could push prices above \$3."

With that scenario in mind, DeBoer priced 10% of his anticipated 1991 corn crop at a \$2.67 December futures price. "My local elevator offers a futures-only cash contract that allows me to establish the price, quantity and delivery date, but leaves the basis open," he says. "I think there's a good chance we'll see the basis narrow before harvest. When it reaches a level that I'm satisfied with, I can lock it in."

Soybean prices should hit their seasonal peak in the middle of May, believes DeBoer. "Beans will be choppy, depending on the stock market. If the stock market backs off, investors will start shifting money into commodities," he says.

"Overall, I think we'll see a seasonal peak at the same level as last year. On a November futures contract that would mean beans around \$6.80," says DeBoer. "I'm looking to contract beans between \$6.60 and \$6.80.

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At the same time, I'm buying cheap, out-of-the-money calls as protection against a strong rally."

SPRING/SUMMER BEAN RALLY?

While '90/'91 soybean ending stocks grew by 30 million bushels in USDA's mid-March supply/demand report, "this crop-year's ['91] stocks could still fall unless we have a bumper bean crop," says Paul Georgy, president of Allendale Inc., Crystal Lake, Ill. "Even if yields match the trend 32 bu./acre, production will not keep pace with usage—dropping stocks to under 300 million bushels."

Georgy adds that if USDA's higher usage estimate proves correct, carry-over could drop below 200 million next year. "With that prospect on the horizon, a seasonal rally is likely to develop this spring/summer," he adds.

"In the last 11 years, November futures rallied an average of \$2.38/bu. from its low to high," reports Georgy. "That suggests the market should continue to respond to weather conditions during the growing season, especially if a drought develops."

NO '91 FEED GRAIN F-O-R

You won't be able to enter feed grains into the Farmer Owned Reserve this year. This came as no surprise since: (1) corn's 90-day average market price needed to be less than 120% of the loan—\$1.89/bu. (on March 12 it was \$2.24); and (2) the corn stocks-to-use

SOURCE: SPARKS COMMODITIES, INC.

ratio would have had to exceed 22.5% (it was only 16.1%). These are the two triggers that would have automatically "opened" the reserve—if one had been met, entry would have been discretionary.

HOG PROFITS CONTINUE

"Moderate-to-good pork demand, in combination with only slight supply gains, should keep hog prices mostly above the \$50 level," says Art Wagner, Sparks Commodities, Memphis. "And assuming that we have relatively normal weather in the Corn Belt, corn prices should range in the \$2-to-\$2.50 area—keeping break-evens mostly in the low \$40s [see chart]."

Wagner is looking for April cash hogs to average in the \$52/\$53 area, with weekly slaughter levels continuing to run near 1.7 million head through mid-April. For the quarter, kills should run 2% below winter-quarter levels, giving us an average spring-quarter price near \$54/cwt., he figures.

On into the summer quarter, Wagner looks for slaughter to decline another 2% from spring-quarter levels with cash hogs trending higher into June/July. "The market will likely peak in early/mid-July, with tops at or slightly above \$60," he adds.

"As we head into the fall quarter, even with just moderate expansion of the herd, we should see a fairly sharp increase to seasonally larger kills—near 2% above last fall," says Wagner. He expects fall-quarter prices to average near \$49, "but we could see the market trade as low as \$45/\$46 during mid-November," he adds. "It still doesn't look like supplies will be large enough to warrant sustained price pressure." He looks for renewed price strength late in the year. ◀

