

FRIEDBERG'S

COMMODITY & CURRENCY COMMENTS

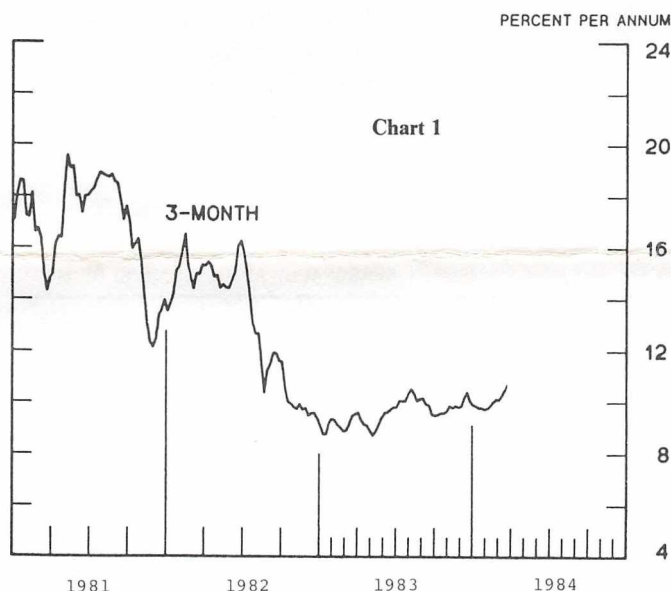
Friedberg Commodity Management Inc.



Volume 5, No. 4 April 8, 1984

A powerful and lasting surge in interest rates

EURO-DOLLAR DEPOSIT RATES LONDON
AVERAGES FOR WEEK ENDING WEDNESDAY



As the uptick in rates begins to make headlines, the inevitable questions arise: How long? and How far?

Politics aside, there are good reasons why the US administration is opposed to an interest rate escalation: It might eventually foil the economic recovery, and it will surely deliver the *coup de grace* to the heavily indebted developing nations, carrying with it the major banks. Despite its good intentions, the administration is fighting a losing war.

First, there is the matter of monetary targets. Adjusted Federal Reserve Credit and the Monetary Base have been rising at rates incompatible with moderate increments in M1 or the much broader credit proxy (see Chart 2).

Then, there is the undeniable fact that private credit demands are soaring.

Commercial loan demand superimposed upon the frantic pace of speculative financing — mostly for the purpose of facilitating mergers, leveraged buyouts, and syndicated property purchases — is rising at a frightening 30% annual

rate of growth. Strangely enough, businesses have as yet to enter the credit market to rebuild their extremely low inventory/sales ratio (see Chart 3). In fact, the dramatic fall in the i/s ratio since late 1982 was a major contributor to the increase in corporate liquidity. While relatively high opportunity costs have put a damper on inventory levels, a whiff of inflation will rapidly change perceptions of proper inventory levels and, with it, corporate borrowings.

A third, little-noticed but very significant force is operating to harden interest rates: the increase, in real terms, of national and international *debt*. The savers' reluctant acquisition of further debt is a function of both the poor quality of the assets (anticipations of eventual default?) and the opportunity cost of acquiring a consumer and/or investment good. The lack of a risk premium is not a refutation of this theory but rather is a manifestation that the faith and credit of the US (and other) government supports the ultimate insolvency of, at least, the credit intermediaries. Furthermore, this implicit guarantee raises the total threshold of rates as it impinges on the ultimate insolvency of the guarantor. It is out considered opinion that a *debt repudiation on the part of the world's largest debtors will in due course lower interest rates, provided losses are fully recognized and borne by the intermediaries and depositors*. By the same token, interminable reschedulings, renegotiations, and capitalization of interest payments, whose sole effect is to build up debt and postpone the ultimate recognition of losses, will continue to put upward pressure on interest rates.

No discussion of interest rates can be considered final without making mention of the US budget deficit. In the March issue of *Financial Perspective* (published by Goldman Sachs and entitled "Fiscal Quicksand"), author Robert M.

Contributors

Albert D. Friedberg

Michael Beech

In this issue

Interest rates up, but how long and how far? Bear market in stocks, but don't go short . . . yet. We're sidelined in energy; but we're bullish on livestock and grains. Details inside.

Giordano draws an historical comparison between federal deficit and "full capacity."

What is useful in his analysis is the discovery that the fiscal posture of the US government has become, over time, ever more stimulative, *even during cyclical expansions*. And so, as the economy approached full capacity (An overall industrial utilization rate in excess of 80%), the federal deficit still equals 0.9% of GNP (1965-1968), 0.7% of GNP (1972-1974), and 1.7% of GNP (1976-1980). In each case, the rate of inflation roughly doubles from the immediately preceding period.

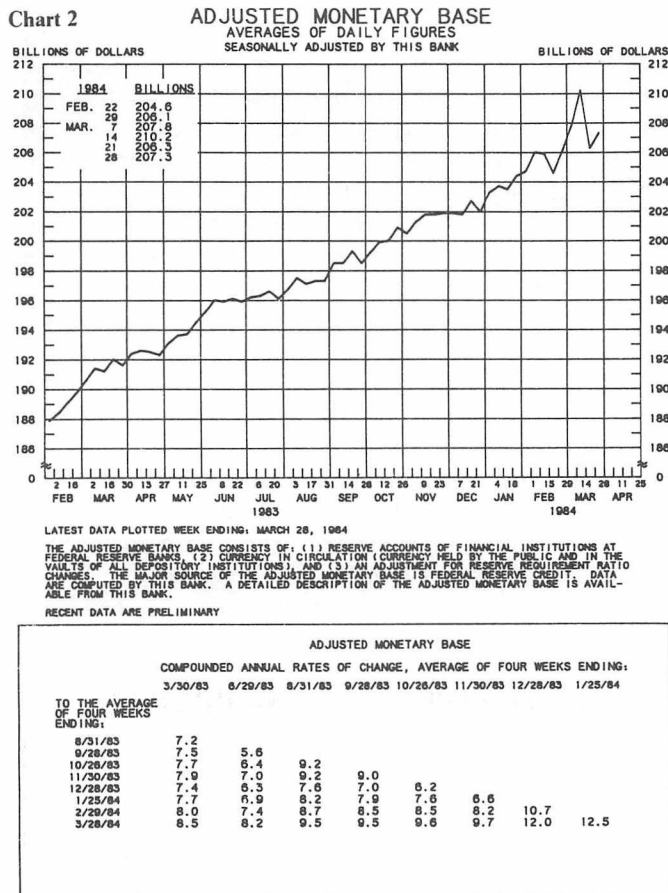
In his conclusion Giordano assumes that the deficit is reduced to 3.5% of GNP in 1985 (roughly a \$50 billion reduction), which would still leave it twice as high as during the 1976-1980 expansion and four times as high as during the Vietnam war. If the past is any guide, a huge rise in interest rates and/or inflation will result from this excessive fiscal stimulus with a strong probability that *their levels will exceed, on the average, the peaks experienced in 1980-1981*.

Is an early rise in interest rates likely to abort the recovery? The answer is no, not for a relatively long time. First, on an after-tax basis the cost of money to domestic borrowers and the returns to domestic savers is relatively low (see our February *Comments*). Second, in a deregulated financial environment, disintermediation is not likely to happen as long as depositors continue to have faith in their financial institutions (a given under a generous system of

deposit insurance); at most, the cost of credit is likely to escalate. Insolvent borrowers will be able to continue borrowing in order to stay afloat, *if only because their creditors are unwilling to accept losses* and can continue to fund them by the simple expedient of paying a slightly higher rate than the prevailing market. One need only refer to the way worthless Polish and Philippine loans are "refinanced" to get an idea of how a deregulated financial system, backed by the full faith and credit of the US government and totally lacking in market discipline (i.e., depositor-run), can play a long and catastrophic Ponzi scheme *regardless of how impossible it becomes to service the debt*. High interest rates, therefore, don't stop the music.

In conclusion, interest rates have begun a long ascent that may not end until a thorough process of debt liquidation begins. From the looks of it, we are still a long way off . . .

STRATEGY: *We favor a gradual entry to the short side of June and September '84 Eurodollars, primarily because we feel that on a short-term basis, the market is somewhat oversold. Therefore, sell one third of your eventual position during the coming week and one third each during the following two weeks. Eurodollars are preferred over T-bills so as to capture the inevitable widening of the spread. Place stops at 90.20, basis June '84.*



Prepared by Federal Reserve Bank of St. Louis

SEASONALLY ADJUSTED, END OF MONTH

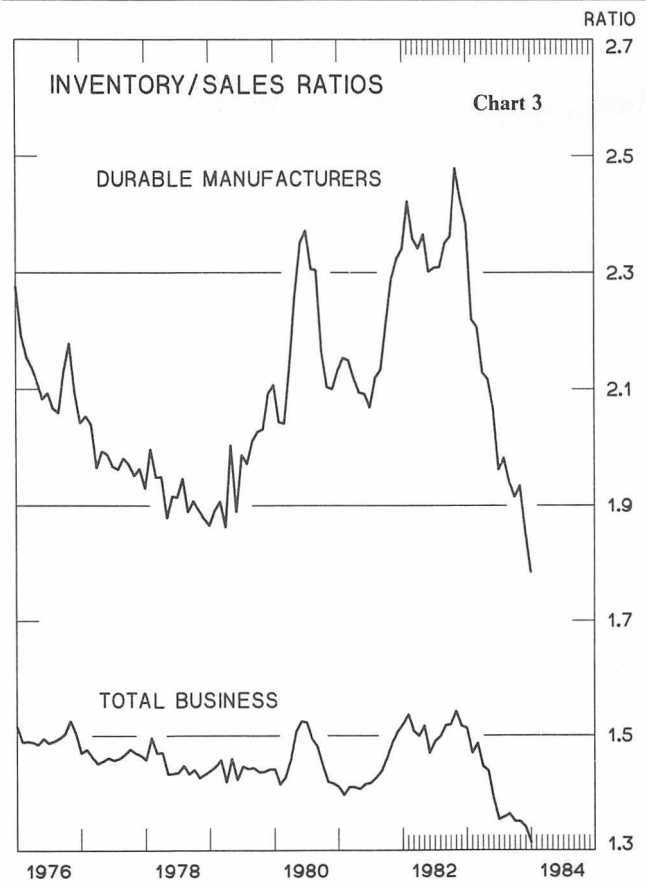


Chart 4

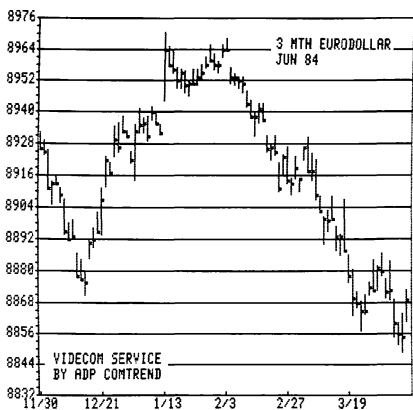


Chart 5

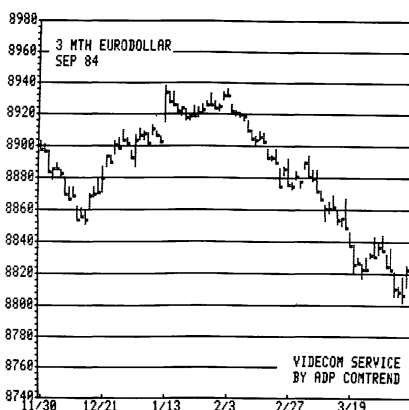
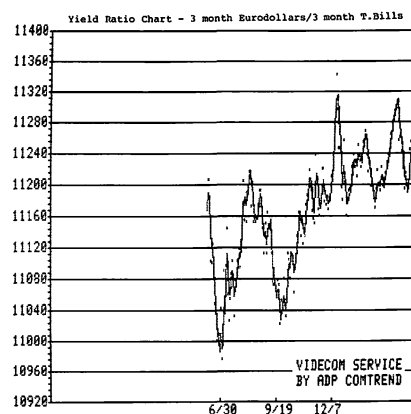


Chart 6



Stock Indices

The relentless rise in interest rates has continued to keep a lid on the US stock market. Sentiment indicators such as the relatively meager premiums on index futures, the number of bearish versus bullish advisers, and the CBOE 100 put/call ratio point to a very oversold market. Internal market statistics, on the other hand, emit conflicting signals. Some, like the relative strength of the broad Value Line index vis à vis the narrow and more select S&P 500 index, as well as the cumulative A-D line, are showing good strength, compatible with "basing" action; others, like the net new highs differential,

have deteriorated markedly. In fact, not only has the number of new highs shrunk considerably but, in almost all cases, they are the target of mergers or leveraged buyouts and therefore do not reflect overall market strength.

STRATEGY: We are convinced that a bear market began in early 1984 that will take the broad averages considerably lower over the coming 18 months. We are as yet unconvinced, however, that this is the proper time to reenter the short side of the S&P 500. Keep in close contact.

Chart 7

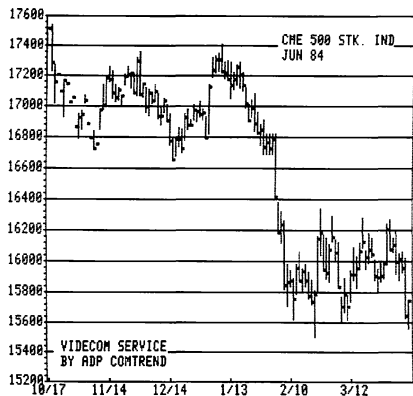


Chart 8

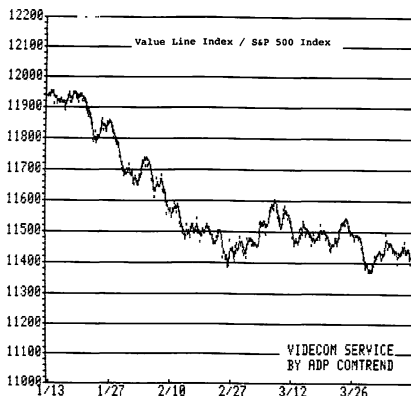
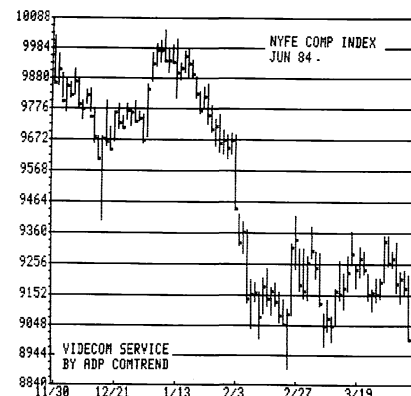
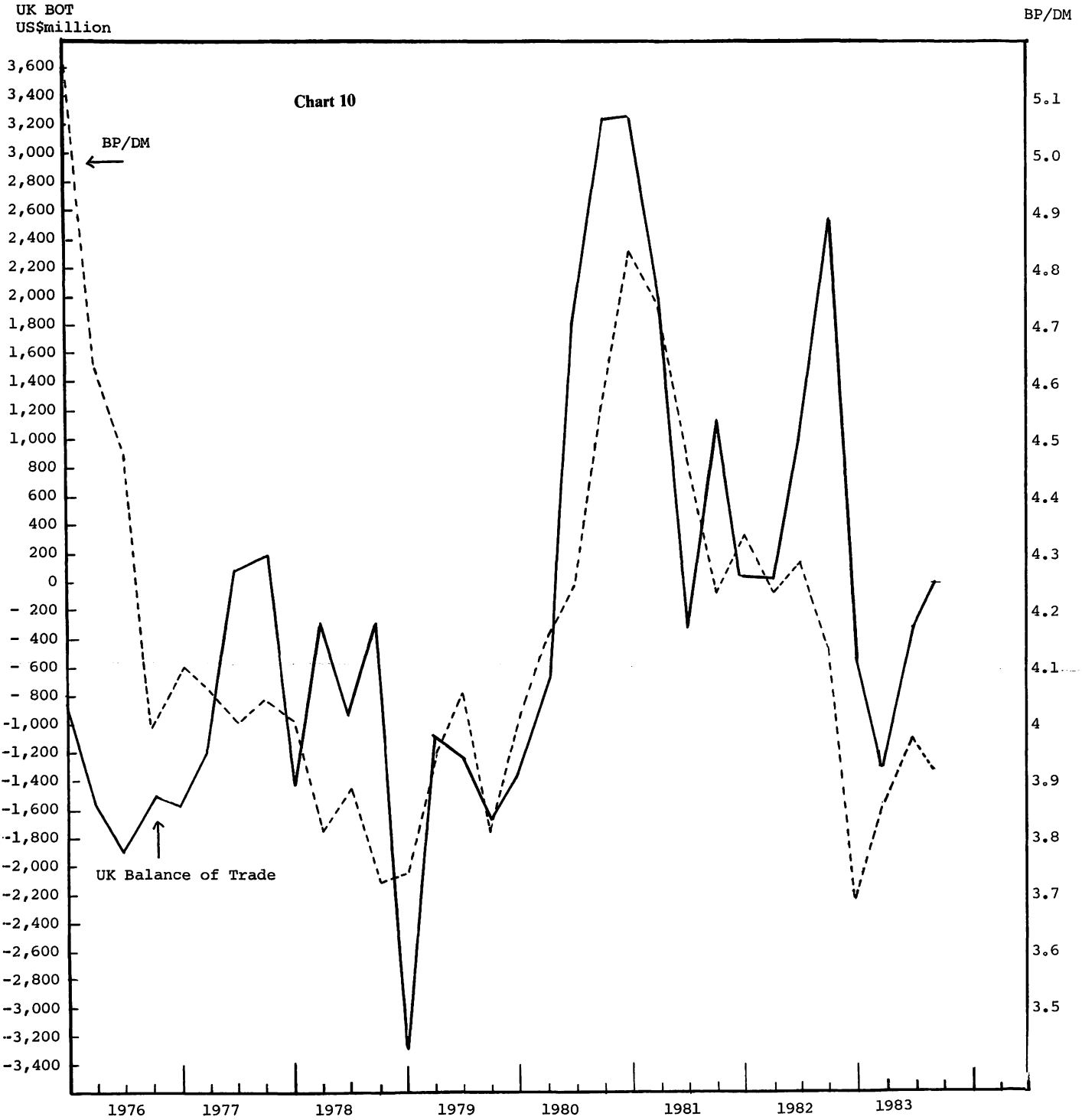


Chart 9





Currencies

The firmer trend in US interest rates has provided good underlying support for the US dollar in recent weeks. From the extreme-reaction lows recorded last month, the dollar has recovered 3.5% against the Deutschemark and approximately 4.25% against the British pound.

Based on the latest US trade figures, forecasts are being

revised upwards to show a trade deficit of \$110-\$120 billion and a current account deficit of somewhere between \$55 and \$70 billion. As we pointed out in earlier issues, these numbers, while large in an absolute sense, become relatively modest when viewed against a \$3.5 trillion GNP and compare quite favorably with the experiences of other industrial-

ized nations (Canada 1974-76 and the UK 1972-73) that sustained similar current account deficits and rising forex values.

Contrary to our expectations, the Sterling/DM cross rate has declined further and now stands at 3.735 from last month's 3.77. Our rationale for a relatively stronger Sterling is based on the belief that a Middle Eastern flare-up will affect oil prices — at least temporarily — providing some support for the currency. Also, our rather simple balance-of-trade model (Chart 10) is pointing to a nonconfirmation. We therefore expect the cross rate to improve from these levels.

STRATEGY: *Remain short the DM — our favorite vehicle for a long US dollar position. Lower stops to 39.05, basis June '84 DM, close only. Short hedges in the Japanese yen and other continental currencies should be maintained. If and when the June '84 DM closes above 39.05, cover all remaining currency short positions.*

Canadian Dollar

A determined Bank of Canada has taken a rather expensive stand by trying to hold the line at 78¢. Last month it spent a neat US\$786 million (which included a new draw against its standby credit line).

Monetary conditions in Canada remain taut as the adjusted monetary base fell to a new low since February 1981 (see Chart 18).

Speculators have little to lose by remaining short although the Bank of Canada has the resources (and the willingness?) to withstand a great deal more pressure.

STRATEGY: *Lower your stops to 78.60, basis June '84, close only.*

Chart 11

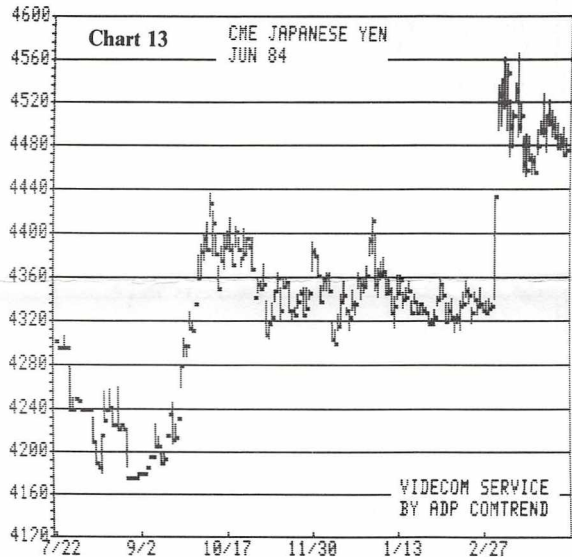
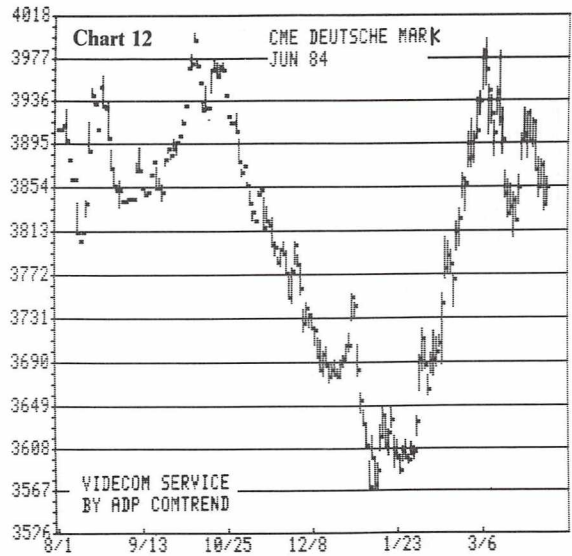
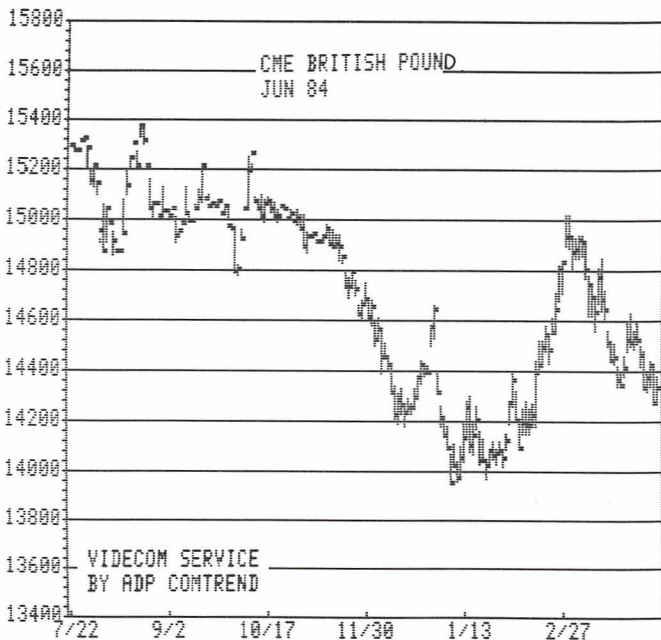


Chart 14

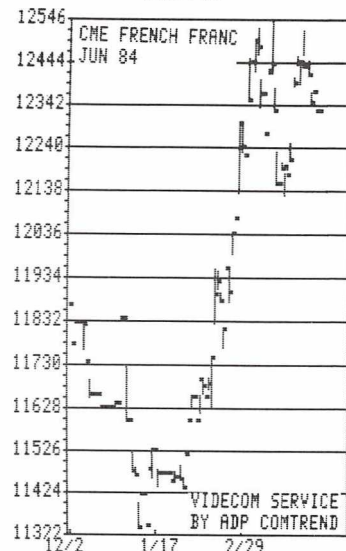


Chart 15

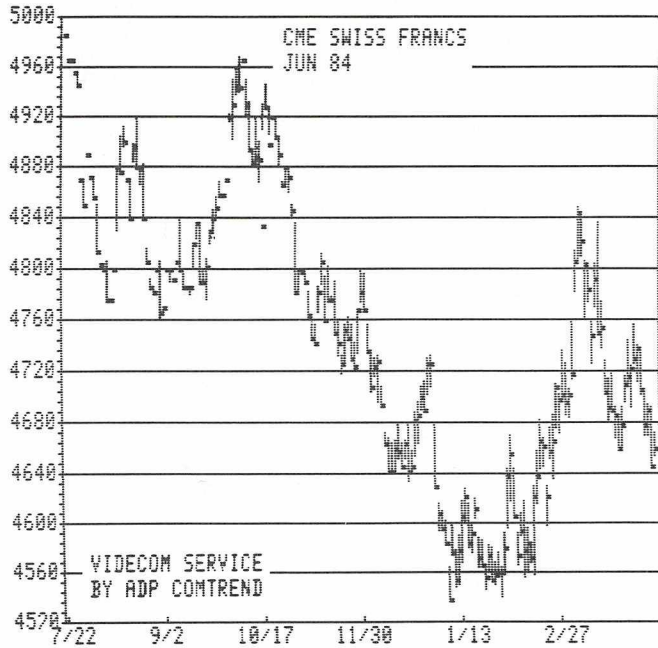


Chart 16

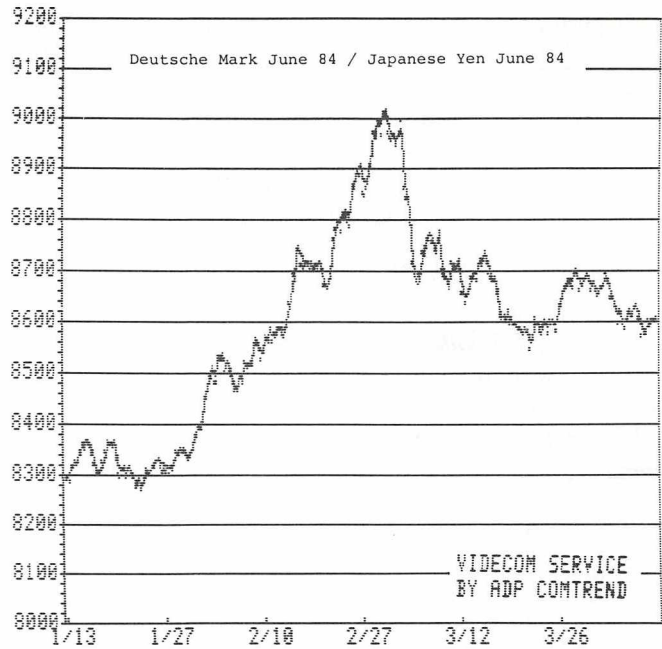


Chart 17

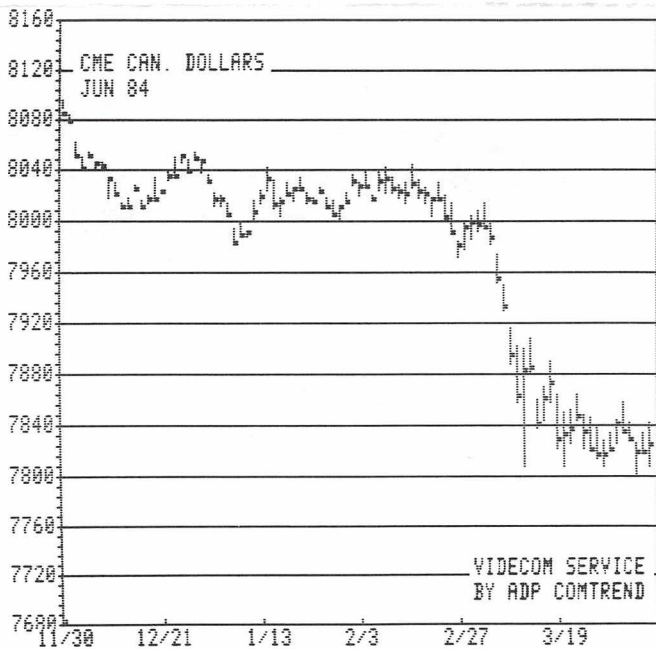


Chart 18

Canada

Adjusted Monetary Base *
(Million of dollars)

1983	Jan.	17,578
	Feb.	16,583
	Mar.	16,288
	Apr.	16,244
	May	16,565
	Jun.	16,666
	Jul.	17,073
	Aug.	17,008
	Sep.	16,688
	Oct.	16,549
	Nov.	16,589
	Dec.	17,038
1984	Jan.	17,039
	Feb.	16,215
	Mar.	15,986

* Adjusted by Shifts in Deposits; our estimates.
Source: Bank of Canada

Precious Metals

STRATEGY: Remain short, and leave present buy stops.
419, basis June '84 Comex gold, and 10.33, basis Comex

May '84 silver, good anytime.

Chart 19

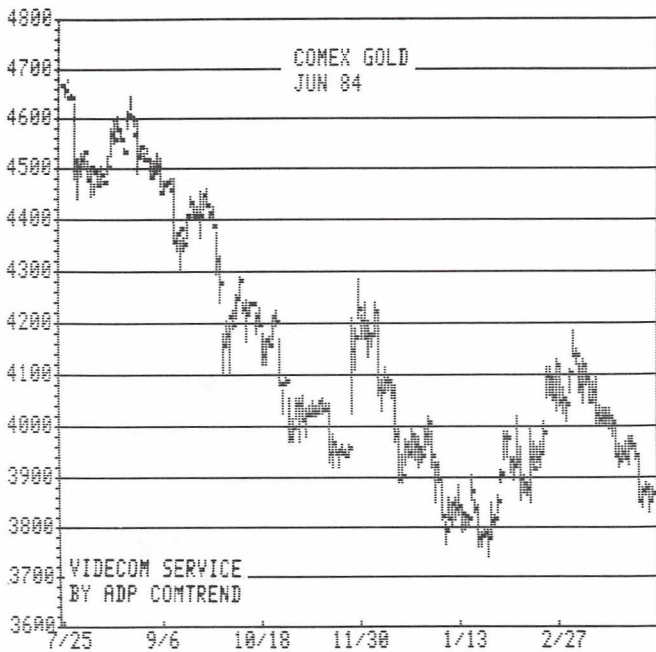
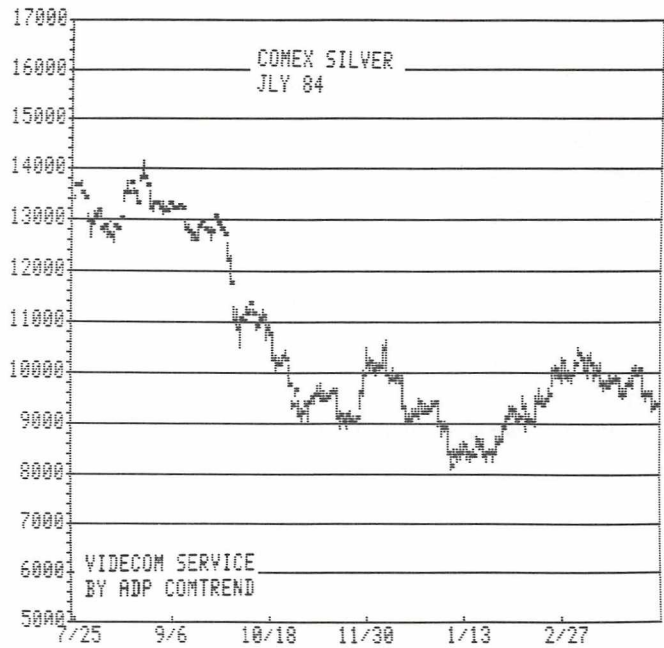


Chart 20



Energy Futures

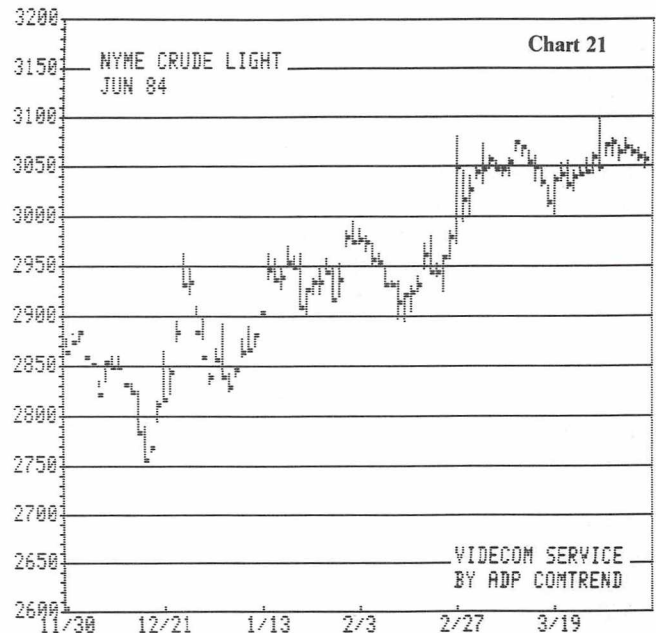
Despite the powerful economic recovery now taking place in the US, Japan, and most of Western Europe, oil consumption continues to lag behind. The International Energy Agency (IEA) has had to revise downward last month's first quarter consumption estimate of 36.7 million barrels per day (mb/d) and now places it at 35.6 mb/d, a mere 2.5% higher than the first quarter of 1983. In our opinion, this will not be their last downward revision. (We are basing this on the published levels of imports into the industrialized countries and some Less-Developed Countries' (LDC) estimates.) What is remarkable, however, is that consumption was hardly affected despite the relatively more severe 1984 winter. The IEA estimates that company-owned stocks have declined to a 79-day forward supply but overall Organization of Economic Cooperation and Development (OECD) land-based stocks have continued to rise and, as of April 1, stand at 417 million tonnes, primarily because of growing government stockpiles.

In another dramatic vindication of the laws of supply and demand, Petrobras estimated that Brazil's oil import bill for 1984 will decline 30% from 1983, largely a result of rising domestic production (520,000 b/d), which will now exceed, for the first time, imports of 450,000 b/d.

The Iran-Iraq conflict appears to be accelerating, although *armed* confrontation has been, thus far, limited. We continue to fear a *drying up of traffic* through the Gulf as

Iraq pursues its policy of sinking vessels and tankers loading at Iranian ports.

STRATEGY: We continue to prefer the sidelines, awaiting a resolution of the Iran-Iraq conflict. Keep in close contact.



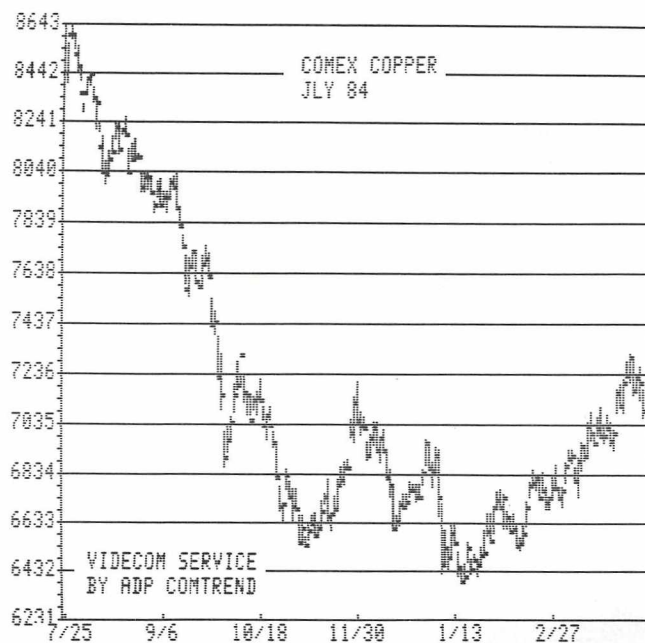
Copper

Declining LME and Comex warehouse stocks, which now stand at a combined 686,000 tonnes, have given this market a strong boost. While sentiment has been extremely bullish (with the bullish consensus rising to a 92% high last week), open interest and volume levels have not confirmed this ebullience: A case of "all talk and no action"? We remain bullish.

STRATEGY: We covered all shorts at 67.50, basis March '84 and reversed course. We expect a slow uptrend punctuated by sharp setbacks, the result of too much complacency and spurting interest rates.

Place initial stops at 66.80, basis July '84, close only.

Chart 22



Grains

The US dollar has shown rejuvenated strength in the past month. At the same time, as we predicted last month, "grains (have) outperformed the US dollar" during the past several weeks. We expect this trend to continue strongly. In the face of a general decline in commodity prices, and higher interest rates in recent months, the grains have begun what may be one of the biggest bull markets in 1984.

Export demand remains impressive. Export commitments (including amounts registered for export sale and amounts already exported) for corn are 8.4% ahead of last season, while actual exports are 7.1% ahead. Commitments for soybeans have slipped to 18.2% behind last year from levels about 6.4% behind 1982-83 at the beginning of 1984, while actual exports are 16.1% behind last season. In view of total US soybean supplies in 1983-84 at 20.7% below 1982-83, however, this is still respectable.

These figures explain the recent strength in corn prices relative to soybeans. The soybean-to-corn price ratio for current months (i.e., May futures) is only 2.25:1, against a more normal 2.5:1. The ratio for new crop months (November soybeans over December corn) is around 2.45, reflecting a greater inducement to increase soybean carryover for the end of next season relative to the increase in corn carryover. Some recent estimates place prospective 1983-84 end-of-season stocks of corn at less than 200 million bushels (mbu), or less than 3% of annual usage, compared with the most recent USDA estimate of 520 mbu, about 7% of annual usage.

In comparison, the USDA estimate of 1983-84 soybean ending stocks is 150 mbu, or roughly 7.5% of annual disappearance.

A further negative factor to soybeans was the Brazilian shift to allowing exporters to ship up to 60% as much volume as last season from now forward, versus the previous limit of 40%. This sets the stage for the new crop, when Brazil will remove its export restrictions completely.

Again with respect to the demand side, the USSR, to March 29, had committed itself to import 6.02 million metric tons (mmt) (237 mbu) of US corn and 4.20 mmt (152 mbu) of US wheat. A USDA report on March 12 said the USSR had covered over 80% of its 1983-84 (July-June) grain import needs, including roughly 95% of its forecast wheat imports of 20 mmt, and about 60% of its forecast coarse grain import requirements of 10 mmt. The Soviet Union may like up to 12.0 mmt of US grain (corn and wheat) without prior consultation. Victor Pershi, the head Soviet grain import buyer, said on March 12 that the USSR might take up to this amount from US suppliers, but would not take more than 12.0 mmt. Most of the additional purchases will be of corn as the USSR is apparently having some problem in obtaining Argentine shipments.

Brazil and Argentina have experienced problems with their harvest recently, owing to excessive precipitation. As a result, Argentina's coarse grain crop will likely be reduced to somewhere between 18 and 19 mmt, near the 1982-83 level,

while the Argentine soybean crop may be below the last estimate of 5.3 mmt. Similar wetness has reduced Brazilian soybean production prospects; on April 2, the USDA lowered its estimate to 15.4 mmt from 15.6, compared with 14.9 last year, in spite of a 9% increase in planted acreage, owing to wetness and other problems including the use of inferior seed.

The USDA issues its monthly World Crop Report April 8; that and the World Supply and Demand report released each month the next day, will be important to the export side of business for the US. More important, however, will be the April 23 quarterly grain stocks report, which will indicate combined export and domestic use rates. Domestic use rates are hard to quantify except by these reports, and as such, the April 23 report will clarify unknowns including livestock feeding rates, the contentious January 1 stocks, and will help to assess actual 1983 US crop production.

The most important grain report in March was the March 23 USDA report on sign-up in the 1984 average reduction programs (see Chart 23). Farmers enrolled 41.79% of the wheat acreage base in the 30% regular acreage reduction program (ARP), which would reduce wheat acreage in 1984 by about 11.75 million acres. In addition, farmers signed up a further 11.59% of the wheat acreage base in the optional 10% to 20% payment-in-kind (PIK) program, which would reduce wheat acreage in 1984 by a further 1.16 to 2.32 million acres. The 1984 acreage base was given by the USDA as 93.7 million acres, about 2.9 million above 1983. The base acreage is the average of 1982 and 1983 acreage — that actually planted plus that considered planted (i.e., having been enrolled in acreage set-aside programs). In sum, wheat acreage planted (net of that abandoned to comply with the ARP) in 1984 may work out to around 80.0 million acres, including about 12.1 million of spring wheat. This implies 67.9 million acres of winter wheat, compared with 64.9 estimated by the USDA on December 22, 1983, 62.5 million acres planted in 1983, and 66.4 million planted in 1982.

Similarly, planted corn acreage could be 77.0 million acres, compared with 81.8 million estimated by the USDA on February 16, 1984, 60.2 million acres planted in 1983, and 81.9 million planted in 1982. The 1984 corn acreage base was given as 81.4 million acres, a substantial 2.0 to 3.0 million below expectations. This was considered the most bullish aspect of the report.

These figures are subject to a wide degree of change, as all base acreage might not be planted and acreages included in the base for one crop may be shifted to another. In addition, the 1984 wheat program was "sweetened" and will be reopened in the near future to allow additional sign-up. Congress did, in fact, amend the 1984 and 1985 ARP programs, increasing the 1984 wheat PIK rate to 85% from 75%, and making 10% of the 30% set-aside a paid diversion.

The West German publication *Oil World* says edible oil production of groundnut (peanut) oil, sunflower oil, olive oil, coconut oil, fish oil, cotton oil, and animal fats (other than butter) is likely to decline in the last three quarters of

The Decline and Fall of the Protectionist Empire

Our October 23, 1983, article on the European Economic Community briefly outlined the reasons leading to the demise of the EEC Common Market. Last weekend, March 31 and April 1 (coincidentally and appropriately April Fools' day), with monumental effort, the EEC reached agreement to cut prices to farmers for most major commodities by 1%. In addition, the EEC's complicated system of Monetary Compensatory Amounts (MCAs — the difference between the so-called "Green" currency and the market currency rates for the members of the Community) are to be gradually eliminated. The foolhardy principle on which the Common Market was established — that the central authorities would buy all farm products that farmers could possibly produce, at huge subsidies, without limit — was finally reexamined. A bewildered group of statesmen decided that, just possibly, the principle was outdated. As a result, milk production in the EEC will be subject to quota for the first time in almost 40 years.

By the "Greater Fool Theory," we aren't sure who takes the dunce cap — the ministers who thought they could get away with such a scam indefinitely in the face of highly outmoded farm efficiency, or the taxpayers in the EEC and around the world, who succumb to such highway robbery by paying inflated taxes to support outrageous subsidies on farm produce in the EEC, which in turn depress farm product prices world-wide, forcing everyone to pay. What we do know is that the EEC has only temporarily avoided its demise. Recent Commission estimates show that spending will overrun the 16.5 billion European Currency Units (ECUs) (US\$14 billion) budget by *at least* 2.6 to 3.0 billion ECUs this year (April 1984 to March 1985), even with the new farm package.

The EEC is insolvent, but it will take some time until somebody notices.

the 1983-84 season (September-August). US soybean oil production in 1983-84 is forecast by the USDA at 10.88 million pounds, 9.7% below 1982-83 (October-September). In fact, in the first six months of this season, US factory production of crude soybean oil was 10.8% below the year earlier. However, factory usage of soybean oil in the period was 3.0% *above* 1982-83.

Since soybean oil comprises about two-thirds of edible oil use in the US, that suggests a decline in the carryout for the end of the season for *all* edible oils. While soybean oil exports to date in 1983-84 are 9.7% below last season and

only comprise 47.9% of the USDA forecast of 1,650 million pounds to be exported this season, the likelihood of strong exports in the second half to importing nations such as Pakistan and India (including recently increased PL-480 subsidies) should stimulate use rates for the rest of the season. It appears that the domestic situation could be very tight before the new crop soybean season beginning in September.

STRATEGY: Remain long May and November soybeans with stops at 7.75 and 7.15, respectively, both close only. Maintain long positions in May corn, with stops raised to 3.48, close only. Buy December corn at the market, with stops at 2.90, close only. Roll all May positions into July before delivery. Also, buy July soybean oil at the market and again below 30¢, with stops at 28.50, close only.

Chart 23

Enrollment in 1984 US Acreage Reduction Programs

('000 acres)	Total acreage base ¹	Enrolled in 30% ARP	Enrolled in additional optional 10%-20% PIK	Total enrollment	Prospective 1984 acreage planted	Previous USDA estimate	$\frac{1984}{1984 \text{ prev.}}$ %	Est. 1983 acreage planted	$\frac{1984}{1983}$ %
Wheat	93,714.8	39,160.0	10,863.4	50,023.4	80,000 ²	77,000 ²	103.9	77,800 ³	102.8
		Enrolled in 10% ARP							
Corn	81,367.7	43,888.5		43,888.5	76,978.8	81,766	94.1	60,130	128.0
		Enrolled in 25% ARP							
Cotton	15,549.3	11,056.2		11,056.2	12,785.3	10,759	119.7	7,961	160.6

1. Average of 1982 and 1983 acreages actually planted and/or considered planted (i.e., enrolled in set-aside programs).
 2. Including 12,100 thousand acres of spring wheat planted (Friedberg estimate).
 3. Including 15,300 thousand acres of spring wheat planted in 1983.

Chart 24

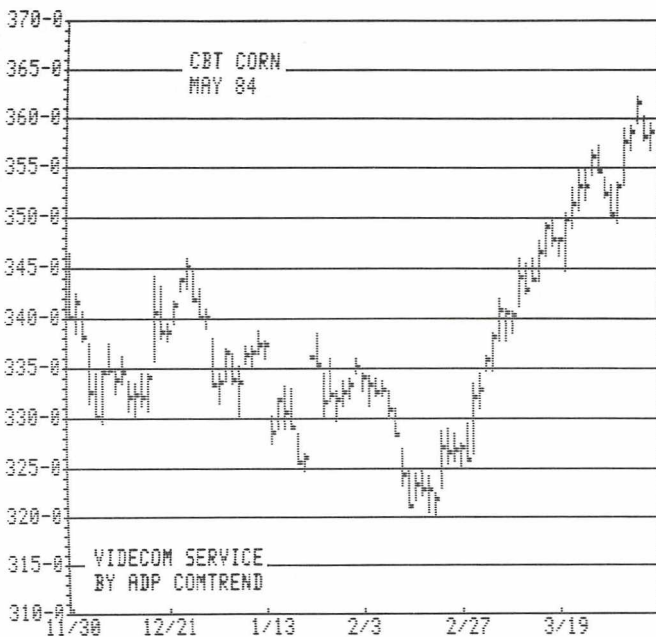
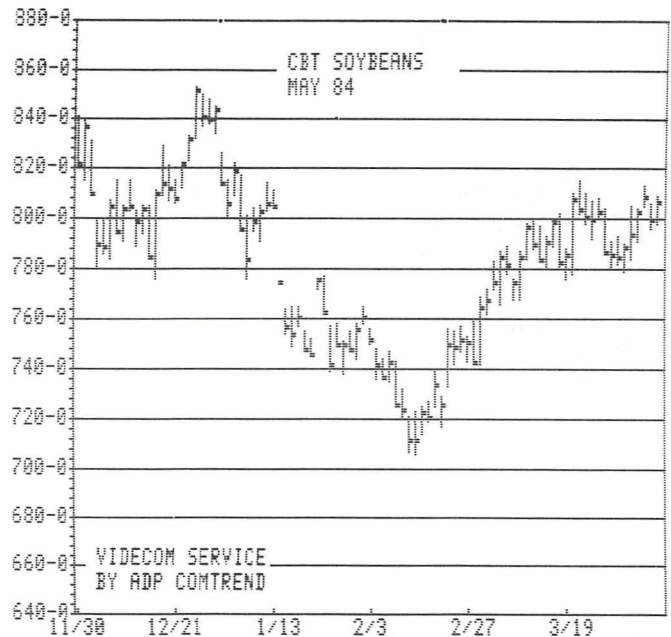


Chart 25



Cocoa

Brazil's main crop (October to March) is calculated at 2.65 million bags of 60 kilograms (159,000 metric tons) compared with 2.114 million bags (126,800 mt) in 1982-83. The Temporo crop is now the subject of much debate, with estimates ranging from a low of 1.7 million bags to a high of 2.8 million, but down from last season's 3.0 million bags. The median estimate might be 2.35 million bags (141,000 mt).

Controversy also surrounds the size of the Ivory Coast crop in 1983-84. In February the USDA predicted a crop of 395,000 mt, while Ivory Coast officials estimate it at 350,000 mt. However, the trade generally accepts that purchases by early March were already 335,000 mt. As a result, production

might fall somewhere between Michel Goldschmidt's estimate of 380,000 and Gill and Duffus' forecast of 405,000 mt.

Gill and Duffus on March 28 reduced their deficit forecast to 56,000 mt, from 92,000 estimated in January, compared with the USDA's February estimate of a 60,000 mt deficit in 1983-84.

World stocks are currently at 500,000 to 550,000 mt, but the quality of storage stocks is seldom known.

STRATEGY: *Technically, cocoa remains in a mysterious trading range. We advise remaining long either May or July with stops at 2280, close only, in both months.*

Livestock

The weather continues to play a dominant role. Cattle feedlots in the corn belt and in Texas are only now recovering from swampy conditions. Coupled with an extremely bullish hog report, cattle, hogs, and pork bellies have been launched to new highs.

In late March, retailers uncovered relatively strong demand for pork, selling at a substantial discount to retail beef cuts, by featuring it at lower wholesale-to-retail margins. The about-face in the trend of cattle versus hog spreads was impressive. Combined with the effects of the hog report (see Chart 26), the implications were explosive.

As an analog year, 1982 has been excellent. That year began with a slow uptrend in prices from below 40¢, generated by a positive December 1981 hog report. The March 1982 hog report was very bullish and accelerated the rate of climb. We were long summer months of hogs that year and took generous profits when prices peaked in August at 68¢, an all-time record for hogs. This year, the trend in prices developed in a surprisingly similar way.

The bullish March hog report has accelerated the climb, and with prospects for 5.7% fewer hogs in late summer 1984 compared with 1982, *we fully expect new all-time record-high prices approaching 70¢.*

March 1, 1984, pork belly storage stocks were 78.3 million pounds. With potential pork belly production of 788.8 million pounds in the six-month period March to August (6.0% below the 1983 period and 3.9% below the 1982 period), the total supplies could be almost exactly equal to the 872.8 million pounds in March to August 1983 (March 1, 1983, stocks of 33.4 mln. lb. plus production of 839.4 mln. lb.). Assuming similar demand, September 1, 1984, stocks could fall to the lowest level since 1977.

While larger beginning stocks could accommodate lower prices through the early part of the summer, they might just as easily encourage insufficient rationing of demand. We foresee prices rising to well over 80¢. While they might not perform in the stellar style of 1982, when they reached \$1.00 per pound, the potential return to margin invested in long positions in pork bellies might approximately equal the returns we expect in long positions in July hogs.

The March 14 USDA monthly seven-state cattle-on-feed report is shown in Chart 27. While placements were 2% above last year, they were equal to expectations. The higher-than-expected February marketing stimulated a bullish response. Winter 1982-83 placements of cattle were restricted by large numbers of cattle already on feed and resultant tight feedlot capacity. Therefore, the high levels of placements relative to a year ago appear large but, in fact, are not when compared with averages of two or more years.

For this reason, we believe the discounts of deferred live cattle to the spot market are excessive and represent an excellent opportunity for purchases.

High grain prices this summer risk causing some liquidation of breeding stock but breeding stock levels for both cattle and hogs are already in a decline. Therefore, strength in grain prices this season will serve to sustain the full markets in hogs and cattle.

STRATEGY: *Remain long July and August hogs as recommended on the March 23 hotline update. For those still long June hogs, maintain positions. Cover short cattle positions in spreads of short cattle/long hogs, remaining long the hogs. Long August feeder cattle positions are being maintained with stops at 66.25. Rising grain prices, however;*

are tending to reduce the value of feeder cattle for break-even to occur given a certain level of fat cattle prices. As a result, spreads of long August feeder cattle/short August live cattle have been liquidated. Buy December cattle at the market and again at 63.5¢, with stops at 62¢, close only.

Last Month's Hotline Updates

March 23

Roll all long April live hog positions into July and August including spread positions against April cattle.

Chart 26

March 22 USDA Quarterly Hog Report -- March 1 Data

	Actual	Act. %	Exp.	Exp. %	Mar. 1 1983	1984 1982	Mar. 1 1982
		<u>1984</u>					
		<u>1983-rev.</u>					
All hogs	39,540	94.5	39,475	94.8 (93-96)	41,840	97.4	40,610
-Kept for breeding	5,353	90.3	5,535	93.6 (90-96)	5,928	96.0	5,578
-Kept for market	34,187	95.2	34,012	95.2 (92-97)	35,912	97.6	35,032
60 lb.	12,026	88.0	12,510	92.0 (89-97)	13,672	94.3	12,755
60-119	8,510	94.8	8,499	95.4 (91-99)	8,979	97.1	8,764
120-179	7,774	101.0	7,554	98.4 (96-102)	7,697	99.5	7,815
180	5,877	105.6	5,543	100.0 (96.5-104.5)	5,564	103.1	5,698
Farrowing Intentions							
(Dec.-Feb.)	1,864	89.2	1,968	94.6 (91-97)	2,090	94.3	1,977
(Mar.-May)	2,475	89.4	2,368	91.7 (87-95)	2,768	103.5	2,391
(Dec.-May)	4,339	89.3			4,858	99.3	4,368
(June-Aug.)	2,098	87.4			2,400	94.8	2,199
Pig Crop							
(Dec.-Feb.)	13,536	87.1	14,447	93.4 (89-95.5)	15,543		14,059

Chart 28

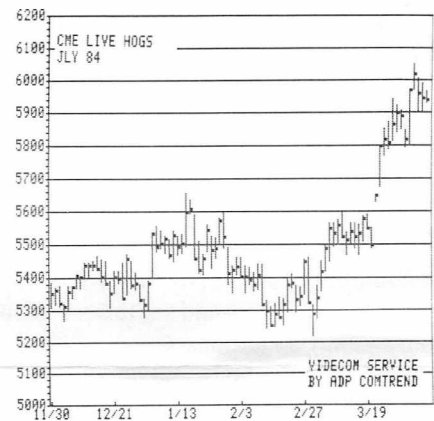


Chart 27

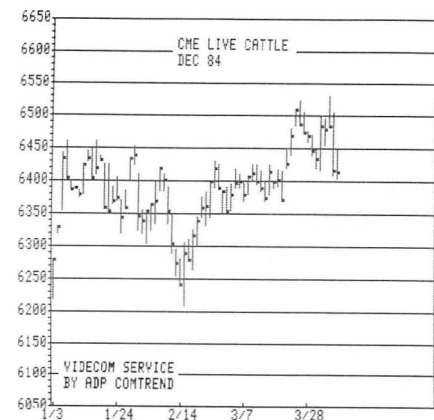
MARCH 14 U.S.D.A. MONTHLY SEVEN-STATE CATTLE-ON-FEED REPORT - MARCH 1 DATA

(thousand head)	1984	1983	1984% 1983	expected
on feed - February 1	7,917	8,052	98.3	
placed on feed - Feb.	1,301	1,164	111.8	112.0 (106.5-120)
marketed during Fed.	1,621	1,491	108.7	105.5 (102 - 110)
other disappearance *	82	121	67.8	
on feed - March 1	7,515	7,604	98.8	99.8 (98 - 107)

Source: U.S.D.A.

*- includes death losses, movements from feedlots to pasture, and shipment to other feedlots for further feeding.

Chart 29



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