future delivery. The buyer then assumes a portion of this risk by agreeing to take delivery at a future date, at a specified price. He is known as a market "speculator".

The hedger stands to gain if the market falls below his contract price by the time he is to make delivery. Without that contract he would have

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cash market,

seller and a buyer on the price of delivery is more favorable commodities, particularly in of a specified amount and than the price he has agreed to the grain, market where it is quality of some product at a pay. His ability to forecast fu- used extensively. There are specified future time of de- ture market changes deter. Several reasons why grain lends dic reports come through dur. him a repeat on the title. livery. The futures contract mines whether he makes a itself to this procedure; let's

> The actual commodity is seldom delivered to fulfill a

weighing 1,000 to 1,150 pounds and estimated to yield 61 perweighing 1,151 to 1,300 pounds, grades are relatively constant. speculators' standpoint are not state level. and estimated to yield 62 per. This means that tolerance and likely to encourage hedging cent. Tolerances and substitu- substitutions from the stand- by cattle feeders. tion possibilities are outlined and delivery contracts can be in the contract details.

\$300 per trading unit. This had widened to \$150.

one holding an inventory of frozen. cattle for future sale. A feeder 4 — SUPPLY — In the the subject we have seen).

had to sell for less on the time his feeder cattle are purchased, or at some later time.

from these considerations.

eontract. In a futures contract futures contract. Instead, the grades for grains are widely continuous, year-around opera- average milk record. Frey the person who owns or holds buyer or seller usually com- used and accepted in the in- tion. Difficulty of closely fore- was also one of three dairymen pletes the transaction by an dustry, and they permit fair- casting future beef supplies in the state to exceed the 700-"hedger". He wants to reduce offsetting sale or purchase in ly accurate quality classifica- and prices may be a serious pound butterfat level. tions. Official grades for live problem. Marketing patterns The trading unit to be used beef are less exact and are not can be altered greatly due to in the beef futures market is universally used in the in the flexibility in the weight mer, RD 1, Willow Street, had 25,000 pounds of steers, live- dustry. This creates more op- and condition at which cattle the top Guernsey herd in the weight basis. Two standard portunity for confusion, error, can be slaughtered. Under such state for milk and butterfat contracts will be used designat- and disagreement if cattle are conditions there might be some production. Their 44-cow herd ed as A and B. The A contract delivered on futures contracts tendency for the beef futures averaged 12,312 pounds of specifies delivery of steers Quality variation within a market to be consistently con- milk, and 609 pounds of fat grading Choice or better, grade is also greater for cat servative. Due to the supply during the recently-completed tle than for grains.

> readily developed. Market price quires a margin the same as of different weights and grades not solve all the problems of 12,000-pound mark initial margin requirement has supply-demand conditions vary cess will depend very largely borhood of 8,000 pounds. been set at \$500 per trading for example, the market diffusion whether a beef futures unit (25,000 pounds of liveweight steers). The mainten Choice grade steers in April number of cattle feeders and Farm Calendar ance margin has been set at was 75 cents; by October it market speculators.

could sell a contract at the grain market the supply of

Lancaster Farming, Saturday, December 5, 1964-7

vest to the next is fairly well known from official estimates of erop production and carrycompare cattle and grains ing the marketing year. The supply of beef available for

(This report goes into demeans that if the market posi- 3 - STORABILITY-Grains tails and examples too lengthy tion of the buyer or seller be- are readily storable and the to relate here; anyone interest. Dec. 10 - NEPPCO "Quickie" comes less favorable, an addi- costs of storage are relatively ed can obtain a copy by writtional margin deposit is neces- constant. They can be easily ing to the Iowa State Univer sary whenever the net value of related to value changes in the low state Universary whenever the net value of related to value changes in sity, Cooperative Extension this margin drops below \$300. grain futures contracts. Beef, How can the cattle feeder by contrast, is not readily Service, Ames, Iowa — ask use this marketing procedure? stored Storage facilities are for Farm Outlook, Nov. 12, He is the potential hedger in limited and costly. Consumers 1964, Econ. Inf. No. 940. This the futures market. He is the seem to prefer fresh beef to is one of the best studies of

Frey and Esh

(Continued from Page 1)

wasn't quite enough, to give

The Frey herd, runner-up to future months is not known Esh last year in butterfat, this 1 — GRADES — Official precisely. Producing beef is a year attained an 18,106-pound

Raymond and Louise Wituncertainty the speculators testing year. This is the sec-2 - SUBSTITUTION Possi- might be willing to buy only ond consecutive year that the cent. The B contract is for bilities — Value differences at levels that looked very safe Witmer Guernseys have led steers grading Choice or better, between grains of different Extremely safe prices from the the breed's production at the

This is the first time in the history of DHIA records that In conclusion the report the state average milk pro-Trading in beef futures re- relationships between steers states that futures trading will duction has been over the The naany other futures markets. The change frequently as market the U.S. cattle feeder. Its suctional average is in the neigh-

(Continued from Page 1)

livestock judging team.

Conference, Hotel Commodore, New York

— 7·30 pm., Ephrata Young Farmers Class, Ephrata High School. Subject, "Quality Milk Production."

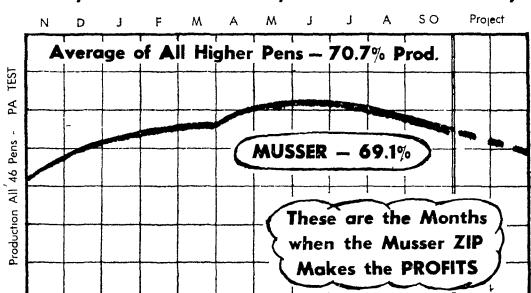
- 8 p.m., Red Rose DHIA Director's meeting at the Production Credit Bldg., W. Roseville Rd., Lancaster.

1793 14

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100% 92% 69.1%



Heavy line shows position of Musser Leghorns among all pens in the 1964 Pa. Random Test in respect to egg production. This is from the start of 50% production and is projected for 2 months beyond end of test. This strong ZIP in production comes when many other pens are fading—when egg prices are strongest. Other Musser features: 100% Chick livability; 92% Laying House Livability; 69.1% Hen-Day Production.

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