● Cattle Futures

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on producers using this market as a legitimate hedge. That it had been successful in its brief history was illustrated by the fact that, last year, cattle futures was the third most common commodity traded on the Exchange, Reed told the cattlemen "And this year it's even more active," he added

Reed quoted a statement by an official of the American Meat Institute, an organization which had originally opposed the introduction of cattle futures trading on the Exchange, but later reversed its stand "Futures trading tends to contribute to price stability An industry able to hedge becomes more financially stable and attractive to investment capital" the industryman said

But, Reed explained, there are two phases to futures trading — hedging and speculating "When you own the cattle and the futures contract, that's not hedging, that's speculating," he said

As an example of how a cattle feeder might trade futures as price insurance, Reed suggested the following situation

"In November you buy feeder cattle at $24 per hundredweight You know from experience it will cost you $22 per hundredweight to finish those cattle at 1000 pounds, and you know they'll be ready to move next October On consulting the paper, you see October futures at Chicago are listed at $24 You know right away that if you sell a futures contract for October at $24 you're assured of $2 per hundredweight profit

"When October comes around, the cash market in Lancaster is $25 You sell This gives you a $3 return per hundredweight over your costs But the minute you sell, you're no longer hedged So you immediately buy back a futures contract at the then current price of $25 per hundredweight You have lost $1 in Chicago on the exchange of contracts

"If you had speculated on the market advance instead of hedging, you wouldn't have lost that $1 in Chicago But the hedge guaranteed you $2 profit with no worry about what the October cash price would be"

In explaining the mystery of the futures trading market, Reed told the cattlemen that, "The important thing that makes this process work is that the futures market and the cash market tend to move together."

Reed explained how a cattle feeder goes about negotiating a contract and elaborated on some of the costs involved Among other things, he told the cattlemen that one trading unit on the Mercantile Exchange is 25,000 pounds of live beef, or approximately twenty-five, 1000-pound steers

'The person who sells you the contract is the speculator He's betting, in effect, that the price will go up It doesn't matter to you which way the cash market goes, you're hedged" Reed said

CATTLE OUTLOOK

Reed did double duty in filling in for another scheduled speaker national commodity specialist in Reynolds & Company's New York office, Angier Biddle Duke, whose subject was to have been the outlook for beef cattle

The general tone of the outlook is optimistic, Reed said Ranchers will retain more breeding animals to rebuild their herds: this will cause a rise in the fat cattle market. "The clock is running in favor of higher market prices for the coming year," the commodity specialist added.

PARASITES

In another phase of the meeting, Dr. John R. S Fisher, director of research for John W. Eshelman & Sons, discussed his company's solution to the industry-wide problem of internal parasites in beef cattle —Red Rose Cattle Wormer

"Parasites lower an animal's resistance to other conditions, such as shipping fever," Fisher said "Worms in cattle used to be considered a regional problem," he said, "but with today's widespread movement of cattle — particularly from south to north — this is no longer true"

He explained the advantages of the modern worming method over the old phenothiazine treatment, and said that in some experimental instances a return of $4 for every $1 invested had been noted During the question period it was observed by the Eshelman territory manager Richard Stein that the costs of such a worming program are approximately $1 for each 500 pounds of live weight.

A four-member panel made frequent contributions to the discussion and question period. The panel consisted of Forney Longenecker, cattle feeder and president of the state Young Farmer Assn., Milton Marshall, buyer for Cross Bros; Robert Heilbron and James Dunlap, both of the Lancaster Livestock Exchange.