

Futures Market Activity At High Rate

By H. Louis Moore
Penn State Specialist

Frenzied activity in the nation's livestock markets has rubbed off on the futures markets in recent weeks. Many producers have been rushing to hedge their cattle and hog production at prices near the highest ever registered on the futures market. Speculators have picked up the fever and are trying to outguess the market.

Recent market activity can be measured by the number of contracts traded. On June 5 and 6 more than 26,000 pork-belly contracts, 12,000 live-cattle contracts and 230 live-hog contracts were traded. Each cattle contract, for example, is made up of 37 head of cattle — in other words, the equivalent of 444,000 cattle were traded in the 2-day period. Each hog contract consists of 100 hogs. Futures trading in livestock has hit such a high level that it is relatively easy for a producer to hedge his livestock production.

High prices recently posted by futures markets make hedging, look attractive to some producers. The live-cattle contract for October closed at \$30.87 on June 6th, and October hogs closed at \$22.10. Hedging at these prices may appeal to producers who feel cash prices will go no higher than these futures prices. Hedging often appeals to the producer who has expanded rapidly, has a large debt, and cannot afford to take the risk of a potential price

decline several months from now.

Even if livestock producers never plan to hedge, they should know how the futures market operates and how it can be used as an alternative market.

The Meat Import Situation

Meat imports continue as one of the most controversial topics in the meat industry. Despite record U.S. meat production levels, our markets have remained attractive to exporting countries. Meat imports in 1968 were equal to 59 per cent of U.S. production. Beef imports were equivalent to 69 per cent of domestic beef production. The increase in imports accounted for about a fifth of the increase in U.S. meat supplies in 1968.

Boneless beef is by far the largest red-meat import item. In 1968, boneless beef comprised 82 per cent of the total beef and 59 per cent of all red meat imported. Australia and New Zealand are the main suppliers of this meat. Imported boneless beef supplements the declining supply of U.S. produced cow beef and is used mostly in processed meat items such as hamburger and hot dogs.

Public law 88-482, enacted in August 1964, specifies conditions for proclaiming import quotas primarily on fresh and frozen beef and veal. Quotas have not been exceeded in any year, generally because Australia and New Zealand are careful to keep exports below the quota. Export-

ing countries evaluate our quota level each month and try to export the amount of meat which will keep the volume close to but just beneath the quota. The Australians prize our market so much that the Australian meat board requires exporters to ship 20 per cent of their beef exports and 60 per cent of their mutton elsewhere in order to obtain permits to ship 80 per cent of their beef and 40 per cent of their mutton to the U.S.

The adjusted base quota for 1969 is 988 million pounds. The quota is invoked if exports exceed the quota by 10 per cent. The main complaint, from U.S. producers, is that the quotas are allowed to grow each year. The quota is adjusted upward as our domestic production of meat grows, and our domestic production in the 1967-69 period was 36.2 per cent over the 1959-63 base period.

We can expect imports to increase as long as our cow slaughter remains low, beef demand remains high, and beef prices continue at high levels.

New Holland FARMERS FAIR

OCT. 1-2-3-4

Send this coupon for entry number

Name

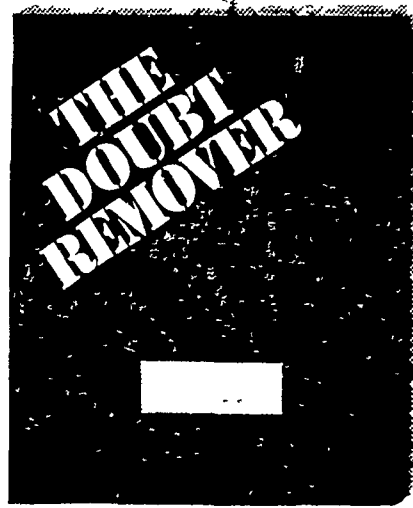
Address

Other Exhibits

Livestock

Crops

What should your herd be producing?



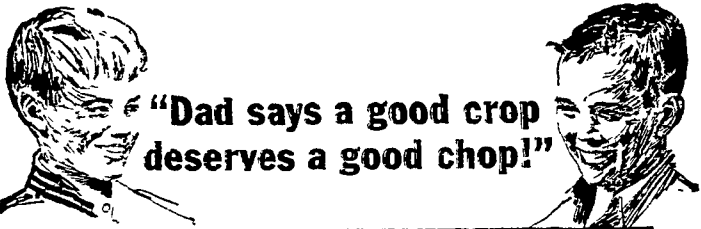
Red Rose's unique new dairy analysis is free!

As the name promises, Red Rose's unique, new service "The Doubt Remover" takes the guesswork out of your dairy feeding program. And we can offer this analysis to you free of charge.

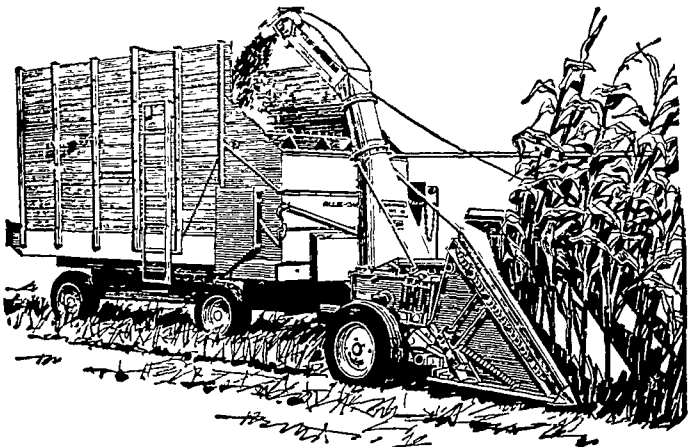
Just tell us about your herd. The breed. Average weight.

Average annual production. What forage you are feeding and how much. And let us begin your dairy analysis that will tell you how you can obtain the most efficient, profitable production possible.

Stop in today or call us for details.



"Dad says a good crop deserves a good chop!"



You chop fine silage faster with Allis-Chalmers 780 Forage Harvester!

The Model 780 delivers up to 60 tons per hour of high nutrient corn silage. Five feed rolls govern cut, from 7/32" to 2 1/4" length. Unique Short Flow feeding system keeps crop flowing steadily to the six 36" cut-and-throw knives. Change heads easily for direct-cut or windrowed grass crops.

Nissley Farm Service
Washington Boro. Pa.

Roy H. Buch, Inc.
Ephrata, R. D. 2

L. H. Brubaker
Lititz, Pa.

Allen H. Matz Farm Equipment
New Holland

Grumelli Farm Service
Quarryville, Pa.

L. H. Brubaker
Lancaster, Pa.



ALLIS-CHALMERS
Mfr's estimated PTO hp.

Walter Binkley & Son
Lititz

Brown & Rea, Inc.
Acglen

Elverson Supply Co.
Elverson

Henry E. Garber
R. D. 1, Elizabethtown, Pa.

L. T. Geib Estate
Manheim

I. B. Graybill & Son
Refton Strasburg

E. Musser Heisey & Son
R. D. #2, Mt. Joy, Pa.

Heistand Bros.
Elizabethtown

Red Rose Farm Service, Inc.
N. Church St., Quarryville

David B. Hurst
Bowmansville

Martin's Feed Mill, Inc.
R. D. 3, Ephrata, Pa.

Mountville Feed Service
Mountville

Musser Farms, Inc.
Columbia

Musser's Mill
The Buck

Chas. E. Sauder & Sons
Terre Hill

Ammon E. Shelly
Lititz

E. P. Spotts, Inc.
Honey Brook

H. M. Stauffer & Sons, Inc.
Witmer