

● **Commodity**
(Continued from Page 10)

5,000 bushels. Every commodity has its own size contract but the quality provisions with in each commodity are identical. The basic grades are those recognized as in most general commercial demand. On most exchanges, delivery is permitted of superior or inferior grades at fixed premiums or discounts.

However, the average trader is rarely interested in taking or making delivery. Almost invariably, he closes out his position in futures delivery contracts before they mature.

In the case of our example

Jones would sell his steers through his favorite local market place when they were finished in April and at the same time buy back his futures contract. But regardless of how the market went, he still had his same original profit expectation locked in. If the price of live cattle declined from when he bought them, he would take less for his steers at market but make it up when he bought back his futures contract. If the reverse were true — cattle prices increased — Jones would get more for his live cattle but lose the increase when he bought back his futures contract. Either way he would have insured his profit at the be-

ginning of the venture and reduced his risk considerably.

For the person such as a feed miller, the hedge is used in the opposite manner. If the miller needs grains or soybeans, etc., for his mix, but doesn't have enough storage or ready cash to make the full purchase on a favorable market, he can buy futures contracts to cover his expected needs. Then when he actually needs the grain, he buys it from local sources and if the price has increased, by selling his futures contracts, the advance is offset so that his net cost is at the former favorable price.

The Speculator
In any discussion of the futur-

es market the speculator must also be mentioned. He is the man who risks his money in the market and through free trading in a free market, helps make the market. In fact, the market would not exist without the speculator. Usually, the number of producers wishing to sell commodities for future delivery is not exactly equal to the number of buyers for his commodity on a given date. So the speculator steps in and buys with the idea of selling to the final buyer at a profit in the future. And when a number of these speculators bid against each other for the producer's commodity they actually create a better market.

Artificial Meat

My first opportunity to eat any artificial meat was appreciated but not exactly enjoyed, my taste buds failed to find any similarity between the manufactured food that I was eating, and the beef and pork from the real meat animals. I sincerely hope that the average consumer will not accept this substitute at the expense of the livestock industry. In comparison with the cost of many other foods and household items meat is not too expensive today and the producer is not getting his share of the consumer dollar for the product.

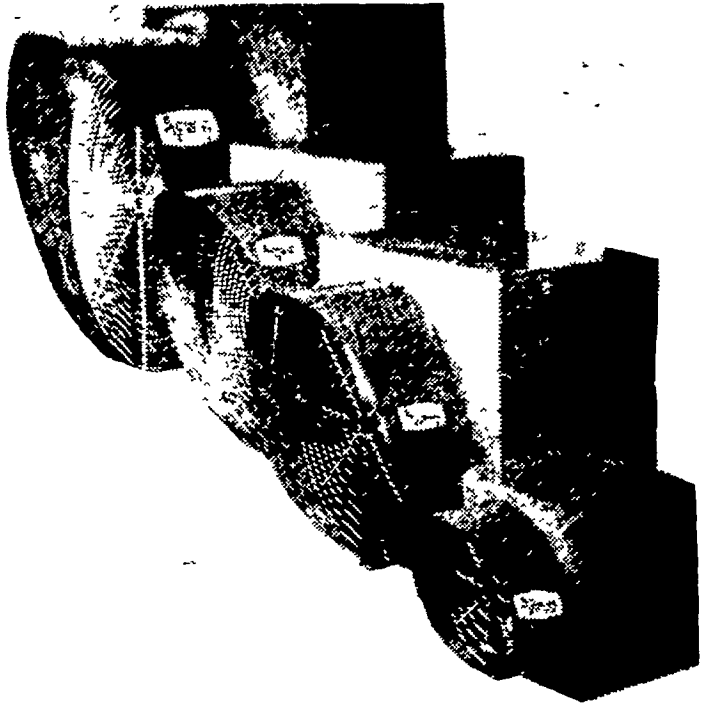
And just in case you think the speculator is the one who makes all the money, you will be interested to know that in a booklet telling speculators how to do it, figures show that only 25 percent of them end up with a profit. The rest lose. Evidently, it is

about like farming — up and down.

Basically, this has been a report of the discussion on the farmer's possible use of futures trading as given in the recent Vo Ag teacher's classes. Further inquiry should be made if expanded information is needed.

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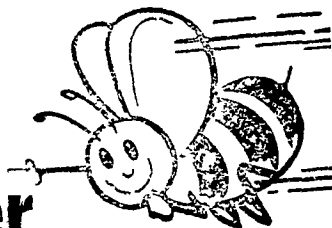
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