

# Pa.'s questions

(Continued from Page 16)

tons each to fill its hold. Some of the newer ships used to haul grain were built as oil tankers.

### Atlantic ports lose dominance

Most of the ships loaded on the East Coast are now supplied by unit trains of 50 to 100 cars moving from points in the Mid-West. Transportation and assembly costs are reduced by using unit trains. While the volume of corn shipped through the Atlantic ports is growing, these ports have lost their dominance as the leading grain export points.

298 million bushels of corn moved through Atlantic ports in 1975, but accounted for only 23 per cent of the total corn exports; this compares with Atlantic coast exports of 85 million bushels in 1955, which accounted for 81 per cent of total corn exports.

The Gulf ports have become the dominant force in the export market in the past two decades. The volume of corn moving out through the Gulf ports increased from 18 million bushels in 1955 to 365 million in 1965 and 875 million in 1975.

The movement of corn which was traditionally from west to east has shifted in the last decade. There is now a distinct north to south movement along the Mississippi and its tributaries. Thus, it appears that increasingly the price of corn is set between Chicago and the Gulf. As exports increase, this marketing channel will have even more impact on price making.

### Toward a national market

Traditionally, when the general movement of grain was from west to east, from producing to consuming areas, Pennsylvania corn commanded a premium price. The premium was generally considered to be the difference in the price of corn at Chicago and the cost to transport it to Pennsylvania.

As the unit value of corn has risen since 1972, the premium price received by Pennsylvania corn producers received nearly 20 per cent more for their corn

than the national average price in the late 1950's and 1960's. By 1975 the national average price was just 1 cent per bushel less than the Pennsylvania price. In general, however, producers are better off today with \$2.71 corn than they were two decades ago with \$1.20 corn.

### Why the premium disappeared

A number of factors have combined to bring the state's local corn price down to the national average price:

1. The transportation factor isn't as important as it was two decades ago. Yes, transportation costs have increased, but a \$.15 per bushel transportation rate in the 1950's was equivalent to 14 per cent of the value of corn. In 1975 a \$.25 per bushel transportation rate from the Mid-West was equivalent to only 9 per cent of the value of a bushel of corn. Transportation has become a smaller portion of the total cost of buying a bushel of corn.

2. The high unit value of corn has caused Pennsylvania farmers to take another look at cash grain production. As in the Mid-West, more Pennsylvania farmers are now producing corn specifically for the cash market. There is more corn available for sale, especially at harvest time. (Many producers have little storage or poor storage facilities.)

3. Grain buyers are more skeptical of the quality of the corn coming from many local sources than of that which they purchased from Mid-Western sources. (The grading factor.)

4. Pennsylvania is still a deficit corn producing area but comes closer to meeting its corn needs than in the past.

5. Corn production per farm is lower here than in the Mid-West; thus, farmers don't have the incentive to become "good marketing men."

6. Corn buyers are larger than in the 1950's and Pennsylvania production is considered as "fill in" or "top out" for feed producers and exporters. An exporter depends on Mid-Western sources for the corn to fill a 30,000 ton ship in Philadelphia. If he needs an extra 200 tons to top off the

load, he will hurriedly contact local sources to get the grain to the ship before it must sail. Many times a premium price is paid to get these last tons delivered to the port on such short notice.

7. Government programs of the 1950's and 60's added stability to the corn market - but at a low level.

### Pennsylvania's future in corn

Pennsylvania will continue to produce 1 to 1½ per cent of the nation's corn in the year ahead. It will be difficult to compete if margins fall. Two decades ago the market for corn was the United States. Only 4 per cent of the crop was exported; thus, this market was of little importance. Today the market for U.S. corn is the world. The movement of corn from Toledo to Philadelphia is uncomplicated compared to the movement which will eventually carry the corn to Tokyo, Amsterdam, or Russia's Baltic ports. With about 30 per cent of the crop currently entering the export market, the large grain

companies see all of the corn producing states as a source of exportable corn. Increasingly, the corn price is being set by supply and demand factors which occur in the heartland of the U.S. and in a handful of foreign nations. A report of drought conditions in Russia can easily have more impact on the price of corn in the United States than a report indicating that domestic use of corn will increase because of expansion in poultry and hog numbers.

An unusually mild and open spring this year aided farmers in getting off to the earliest start ever in corn planting. With normal weather, the 1976 corn crop should reach 6.2 billion bushels. This would be about ½ of a billion bushels above the 1975 crop - enough to fill 440 ships of 30,000 metric ton capacity.

The implications for Pennsylvania corn producers on the eve of a record corn crop are:

1. Most local corn will continue to be fed to

livestock and poultry on the farms where it is produced or on other nearby farms.

2. In a prospective bumper crop year, harvest discounts can be great. Cash corn producers should make provisions for storing corn, thus avoiding the necessity to sell it out of the field. Last year at harvest, local producers received less than

the national average for corn. Producers without storage have no bargaining power when negotiating a harvest-time price for the crop.

3. Explore the advantages and disadvantages of hedging part of the crop or forward selling a portion of the crop to a buyer if the price is right.

Know Where the Activities Will Be? Read the Farm Women Calendar.

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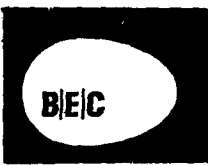
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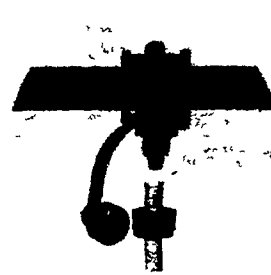
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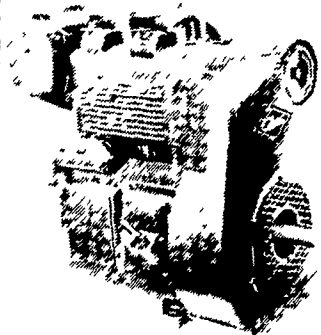
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