

# Commodity dealer defends market against pricing charges

WEST LAFAYETTE, Ind. — The U.S. grain marketing system remains the world's commodity trading benchmark despite some problems, a grain company official said here today.

Ted Rice, vice president-commodity research, Continental Grain Company, told a conference on agricultural trade sponsored by Purdue University that "many of the problems of grain marketing are caused by factors beyond the control of the system."

"We cannot, for example, blame the system for low grain prices or low farm income," he explained. "These are caused by either excessive supplies or poor demand, both related to the vagaries of weather, political actions and other developments which can

neither be predicted nor controlled by the system."

Rice defended the system against the charge of creating unstable grain prices.

"Marketing monopolies, such as the Canadian and Australian wheat boards, may have a common price to producers through their pooling arrangements, but the boards may sell on unstable and fluctuating world markets."

Said Rice, "If a farmer is content with average prices, I would suggest he try to market an equal share of his crop each month... or better still, each week."

Rice defined the role of the system in developing export markets supplying those outlets at competitive world prices.

"Ten years ago, this

country supplied about 43 percent...less than half...of the world's traded grain. This year, the United States will supply 58.5 percent of the total."

This supply capability was attributed by Rice to the productivity of U.S. agriculture as well as various trade market development activities.

"One must give much credit to those firms which make sales to overseas customers and which provide the physical facilities to move our products into export channels. They have sought our markets, they have expanded and maintained markets and they have provided the capital investment to do the job," he said.

In summarizing the U.S. grain export industry, Rice acknowledged that five international firms account for a large percentage of total commodity shipments for this country.

But, he went on, "what isn't well-known is that a cooperative was the fifth in volume in 1978, and that there were 22 members of the North American Export Grain Association who each exported more than a million tons of grain."

And, he added, this excluded two major cooperatives that were not members of the NAEGA, but are believed to export well above that amount.

According to Rice, the U.S. grain export system is highly competitive and provides reasonable marketing margins.

"We have established there are a large number of firms, including cooperatives, competing for business," he continued.

And... "obviously, profits or perceived profits have been adequate to attract sufficient capital to provide the facilities for expanding trade."

Rice observed the spread in prices at which grain is offered to meet a specific export commitment is usually narrow and the difference separating the successful and unsuccessful offers is negligible.

He discussed the importance of U.S. futures markets not only to our own trading interests, but to the rest of the world.

"Many people would be surprised to learn that the prices of Brazilian soybeans, Argentine sorghum, South African corn and both Canadian and Australian wheat are routinely quoted on a basis that is directly related to a particular U.S. futures contract."

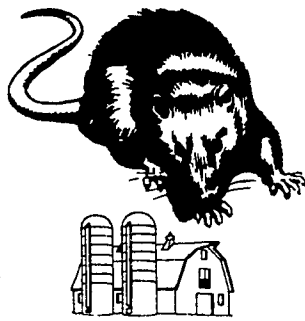
And, he pointed out, "the Australian Wheat Board hedges some of its wheat in U.S. futures and offers the buyer the opportunity to trade in terms of basis."

"The truth is, the various non-U.S. grain boards need the free and open U.S. futures markets to discover prices or international values, as their own sales are insufficient to perform this vital function."

Rice noted the U.S. grain exporting complex - comprising the nation's agricultural production and marketing systems - has led in technology and innovation, quickly and effectively meeting the challenge of change.

"The needs of U.S. farmers, the general public and our overseas customers have been met. That, I believe, is all we should expect."

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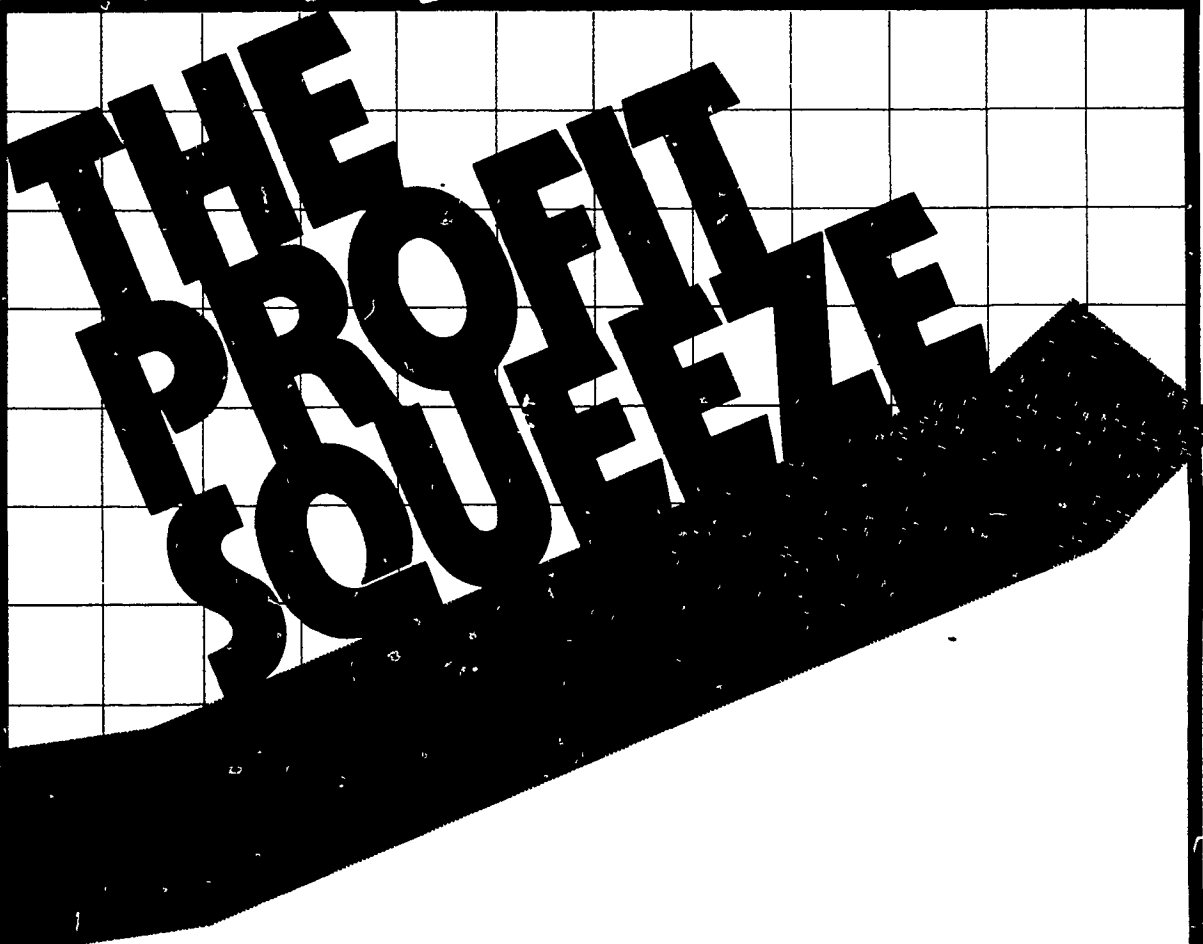


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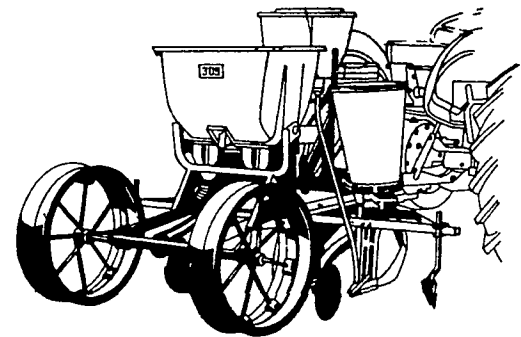
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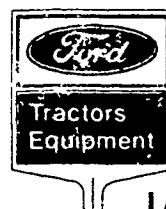


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