

Farm Talk

Jerry Webb

Just another government report

Farmers are known to complain about the census reports and other governmental forms they are asked to complete. Filling out forms takes up a lot of time. But one of it is important to both farmers and consumers.

Consider the fact that there are 2.5 million farms in this country and they produce an incredibly large and varied supply of food fiber and forest products. So how does each farmer know: what to produce?; will there be a market?; when and where to sell?

The answers to those questions and many more depend on a wide range of economic information that is available to farmers. In this country there's no such thing as an economic dictator that tells consumers what to consume and producers what to produce. That's determined in the market and it works when information is available at all levels. The more information available, the better it functions. Inaccurate information or no information at all distorts the market system and causes gluts or scarcities.

Since farmers operate in a free

market system, more or less, price pretty well determines what they will produce. And while this may be hard for some people to understand, let emphasize that farmers don't decide their prices.

This point has been made over and over again, but still I find a lot of consumers don't have the slightest idea about this. Their only contact with the farmer may be a visit to a roadside stand where the farmer is, in fact, setting a price. But the bulk of what farmers produce is sold through a market system where the price is dictated to the farmer.

Price determines the availability of supplies among the buyers and in turn prices are transmitted through the system to the producer. High or very profitable prices encourages more production. On the other hand, low prices cause cutbacks in production.

Farmers need a wide range of up-to-date information if they are going to make intelligent decision and come at all cost to meeting consumer needs. Among other things, they need to know the

production intentions of other farmers. They need information on supply and demand for various commodities, the price outlook, and they need to know quite a bit about conditions in the world market.

Firms that sell supplies to or buy commodities from farmers also need information on agricultural production and marketing intentions. Without it, they may not be able to meet demands for seed, fertilizer, chemicals and other production supplies. Or, they may not be prepared to purchase what the farmers have to sell.

The government also has an interest in farm production. These days, the State Department is probably more interested in the crop report than anyone else. Farm exports play such a vital role in world trade and the U.S. balance of payment position is dependent on farm exports. In fact, the strength of the dollar and the whole U.S. foreign policy depends in large measure on farm exports. So what farmers produce, what they have to sell to other countries, and what is in short supply is very important to our government.

Congress also needs information about agriculture because it must act from time to time on farm legislation. And, unless it has a score sheet, it can't act very intelligently.

In planning their operations and developing market strategies to maximize their profits, farmers need information both on what has happened and what is like to happen — both the history and the future. Such information tends to stabilize production, marketing, and distribution, and thus it benefits consumers, farm related businesses and farmers.

Farmers get information from a lot of sources. Of course, they read all kinds of publications available from private industry and government agencies. They read farm magazines and forecasts from a wide range of experts. Out of all this, they must make some decisions. So they keep a close eye

on the general agriculture situation, farm costs and income, commodity data, the market news, and any other information they think will help.

Out of all the questions that government agencies ask farmers, much of the information is compiled and fed back to farmers through the Department of Agriculture. Agencies within USDA provide valuable data and analysis of various situations. Also, the federal Census of Agriculture, taken every five years, provides useful information.

While farmers may grumble about filling out forms, and some even question the value of such items as crop reports and intentions to plant, it's safe to say the marketing system would be chaos without them. If farmers didn't have any idea how much of a commodity was going to be grown and based all of their farming decisions on what happened to them last year, they could be in really serious trouble when they sell their crops. I think most farmers would agree, the more information they have, the better decisions they'd able to make.

Leases can mean extra money

Third in a series of 4 silo & gas lease articles

HONESDALE — Bonus payments for signing an oil and gas lease and annual delay rental fees provide some income to landowners for a few years.

However, the royalty payment is the stuff dreams are made of according to Joseph Macialek, Community Development Agent. The royalty payment is based on the value of the product at the well head and the size of the share assigned to the landowners.

A common practice has been to grant a one-eighth share or (12 percent) to the landowner. In some instances, Macialek said, landowners have been able to negotiate a greater share. In other cases, the one-eighth was established for the first gas produced and a greater share for gas produced at a later date.

This royalty payment does not necessarily all go to the owner of the land where the well is located. Since oil and gas is not confined to

property lines, pool areas are established for each well site.


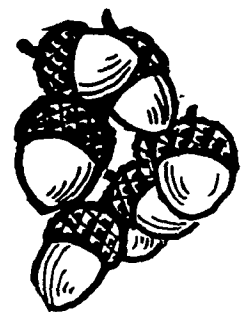
In Pennsylvania, the size of the pool area is normally about 320 Acres. Each landowner shares in the royalty payment according to his or her share of land in the pool. If oil or gas is discovered and there is no pipeline to transport the product, the well may be temporarily capped. In that case a "shut-in" royalty is paid to keep the lease in force.

Another benefit for the landowner according to Macialek is the provision of free gas. Leases may contain provisions for the landowner to use some gas for heating the home or for other uses providing the landowner installs the pipes from the home to the well.

Natural gas contains about 1000 BTU per cubic foot and furnace oil contains 138,500 BTU/gallon. It will, therefore, take 138.5 cubic feet of gas to replace a gallon of oil. If the home uses 1000 gallons of oil per year, it will take 138,500 cubic feet of gas to replace the oil.

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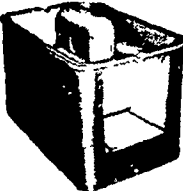
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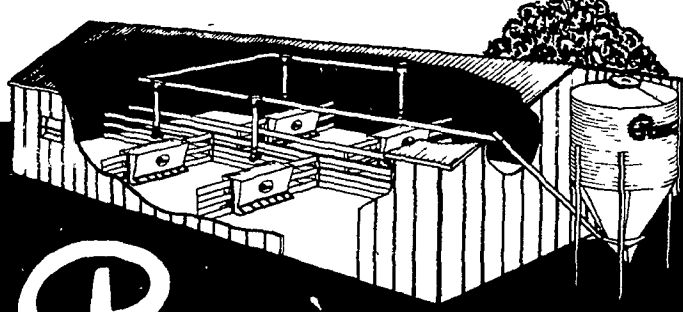
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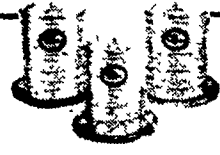
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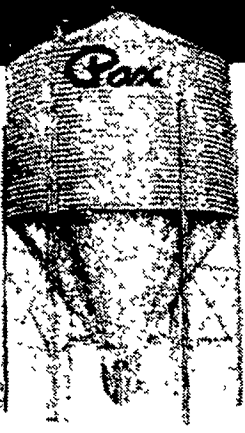
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