

# Computer hedging helps put more \$\$\$ in Del. farmers' pockets

NEWARK, Del. — Today's grain farmer faces the toughest cost-price squeeze in the history of modern agriculture.

"If the modern commercial farm is to survive the economic environment of the 1980s, marketing decisions must become increasingly efficient and profitable," says University of Delaware Extension crops marketing specialist Carl German.

To help Delaware grain producers market their crops more effectively, German has put together a production hedging model which can be run on a computer. The service is available now, practically free.

The model works for either owned or rented land of any value on any size farm. It starts from scratch in that it first computes the cost of production. All you need to know is how much you spent (or will spend) on each input item per acre. Everything is entered as acquisition value — actual or anticipated cost.

Once this data is entered, the model computes a target price for your crop, based on anticipated yield, desired profit and desired return to management.

"Suggested profit margins and per bushel return to management are given," says German, "but users are free to enter their own goals as part of the process of arriving at a target price."

The program can be run at several different futures prices and anticipated yield levels. It is designed for corn, soybeans, and wheat, and will handle potatoes as well.

Having established your target price, the model next helps determine the localized futures price for your crop in any given futures contract month. The output from the model then gives you the

anticipated benefit from hedging at that time.

This information is contained in a column on the printout listed as "Decision." A return of zero or greater indicates that hedging on the commodity futures market is profitable. A negative number indicates that hedging should not be done at that particular time.

The program gives the anticipated benefit from hedging at various farm sizes, land values and crop yield — the three factors having the greatest effect on crop profitability. And it is set up in such a way that a farmer can compare the profitability of his own operation and pricing options with those of a typical farm operation of a similar size.

Incidentally, right now the model for the most part indicates negative returns from hedging either current crop corn or soybeans at various farm sizes, land values and yields.

"Just getting returns to equal production costs, excluding returns to management and profits, is difficult at this time," says German.

All the calculations involved in running the program could be done by hand, but using the computer is a lot faster. And because the machine does all the math so quickly, more variables can be looked at.

Though production hedging opportunities for this year have nearly gone by, growers can use the model now to look at anticipated benefits from hedging stored grain and from production hedging their 1982 crops.

"That's getting way ahead," he says. "But that's what you've got to do these days in order to realize the greatest return on the grain crops we grow in Delaware."

German plans to demonstrate

this new computer model to farmers at a hedging seminar December 1 and 2. But the program is available for use right now.

To use it, all you have to do is call up and make an appointment to meet with German. During that meeting you will provide him with the information needed to tailor the program to your own farm operation. He will enter this data and run the program while you wait. It only takes a few minutes. And you will then have a chance to discuss the resulting printout with him. The only cost involved is a fee to cover time on the computer. This should amount to less than \$1.

In time, Delaware growers should be able to access the

computer and run their own hedging analyses via terminals in Extension offices around the state. The program may also be made available to farmers who have a home mini-computer system.

"I think this model should improve the competitiveness of our farmers," says the economist. "It will make a big difference to someone who wants to do a good job marketing."

He feels growers need to start planning their market strategies a year ahead of time. Sometimes that means being priced in a hedged position far in advance of production. This program will make this easier to do so. He thinks using it will help growers develop better marketing habits and hold

more realistic pricing expectations.

"It should be emphasized," he says, "that as much as this program will help farmers work toward higher average returns on the crops they grow, its most important benefit should be that they understand and use hedging in the futures market as a tool to reduce price risk — reduction of price risk being the primary objective of any hedging program."

For further information about the new computer hedging program and how to use it, call or write: Carl German, Extension Crops Marketing Specialist, Agricultural Hall, University of Delaware, Newark, DE 19711 302/738-2511.

## Silo gas is no laugh

COLUMBIA, Mo. — Once again, farmers are reminded to beware of the lethal effects of silo gas.

Silo gas (nitrogen dioxide) forms as green plants ferment and is especially dangerous shortly after the plants are ensiled, said David Baker, University of Missouri-Columbia farm safety specialist.

The oxygen used in fermentation and the nitrates in the plant are released as nitric oxide. This gas quickly escapes from the silage and combines with oxygen in the air to form toxic nitrogen dioxide.

The lethal gas is yellowish brown and smells like some laundry bleaches, Baker said.

Depending on its concentration, presence of the gas can be recognized by a burning sensation in the nose, throat and chest.

"Exposure to heavy concentrations can lead to death within seconds," Baker said.

"Lighter concentrations or exposure for shorter periods may

cause extensive lung damage. Or you could die from pneumonia within hours after exposure."

Baker says silage gas forms shortly after filling and may persist for two to three weeks.

"Best bet is to stay clear of the silo for the full three weeks," Baker said.

"Even after this period, it's a good idea to run the forage blower or 15 to 20 minutes before entering the structure. While the blower is running, keep the door open closest to the top of the silage."

Ventilate silo feed rooms with open windows and fans during the three-week danger period.

"Keep the door tightly closed between the silo feed room and livestock."

Baker said that silo areas should be off limits to children and visitors during the danger period.

"If you experience the slightest throat irritation or coughing around a silo," said Baker, "get into the fresh air at once."

"See your doctor immediately if you suspect that you have been exposed to silo gas."

"If someone has to enter a silo during the three-week peak danger period, they should wear a self-containing breathing apparatus."

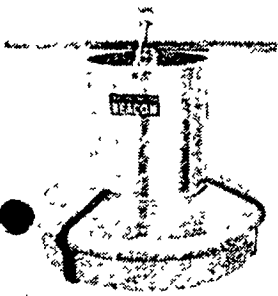
"The silo should be ventilated for at least 20 minutes before entry. Also, a life line should be attached to someone outside of the silo to pull the victim out if they are overcome while in the silo."

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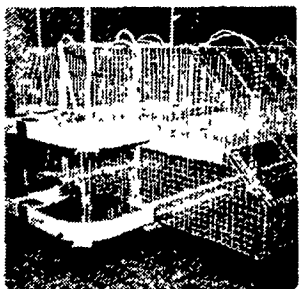
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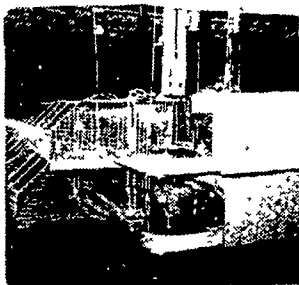
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