Farming's Futures

By David K. Sauder Commodity Advisor Trade Tech, Lancaster



What is the relationship between the cash market in the Lancaster area and the futures market prices?

K. Groff, Lancaster Reterence to the difference between cash market and the tutures market price on any specific day is called the basis. Fortunately, the basis in the Lancaster region usually favors the farmers. Due to the demand of the close large population centers in this area, the cash market has been consistantly higher than in the mid-west.

l don't understand how futures work. Does someone buy your eeder stock? I fatten a lot of hogs.

A. Stoltzfus, Myerstown To understand how futures contracts work, you need to look at two different markets. The cash market and the futures market. While they usually move together, they operate independently. The Cash Market

You already use the cash market.

When you have hogs ready for market, you truck them to the local packer, stock yards or sales stables. You sell the hogs for whatever price the "cash" market happens to offer.

Of course, you have a lot of risk cash market. You hope the price is time you sell your hogs on the cash

high the day your hogs are ready. And you hope your hogs get into the sales ring when the bidding is brisk.

You're strapped to whatever the buyer will pay on the one day your hogs must go to market.

The Futures Market

On the futures market, the tarmer can sell hogs in advance by contract for delivery when they are finished. That's called hedging.

Since you are under no pressure to accept the price on any one specific day or week, you can watch the futures market and sell when the price is right. The right selling price will vary with each farm operation.

You need to figure your costs of production and add a profit. When, the price on the futures market reaches the level that you can accept, sell a futures contract that represents your hogs for sale at a future time.

When you sell the futures contract you lock in the price you will realize when you sell your hogs on the cash market.

Futures contracts have two transactions to be complete. The sell side used when you sell your hogs in advance by contract and the buy side used to complete the when you depend entirely on the futures contract transaction at the

Farm Museum offers craft classes

LANCASTER - Craft classes will be held at the Pennsylvania Farm Museum during the month of November. The registration fee is \$12 per course. Most classes also charge a materials fee ranging trom \$3 to \$12.

Registration begins October 21. Register at the Farm Museum office or by mail, no registration will be taken over the telephone.

market and no longer need the protection of the locked-in selling price.

When your hogs are finished, sell them on the cash market as usual. Then buy back the futures contract from the futures market.

When these two transactions have been completed, any movement of market prices in the futures market or the cash market after you sold your original futures contract will be equalized. The futures contract has simply acted as an insurance contract to give you your desired selling price.

The same principle works just as well for cattle, wheat, corn or soybeans. You can lock in a future selling price to reduce most of the risk involved in the fluctuating cash market.

In addition, if you are buying corn or soybeans, you can buy futures contracts at a favorable price to insure good feed prices for yourself through the year. For example, poultry producers who had the foresight to hedge feed needs at low corn prices netted very sizeable profits in the past two years even with the very low egg prices.

Other questions about the futures market may be sent to Farming's Futures, Lancaster Farming Newspaper, 22 East Main St., Lititz, PA 17543.

The following courses will be offered at the Farm Museum:

Tinsmithing I: Phil Kelly, Instructor, will meet on Monday evenings, November 2, 9, 16 and 23 trom 7 p.m. to 9 p.m.

Applique Quilting: Doris Riexinger, Instructor; will meet on Monday evenings, November 2, 9, 16 and 23 from 7 p.m. to 9 p.m.

Rug Hooking: Maud Zane, instructor, will meet on Tuesday mornings, November 3, 10, 17 and 24 trom 10 a.m. to 12 noon.

Woodworking: Drew Lausch, instructor: will meet on Tuesday evenings, November 3, 10, 17 and 24 trom 7 p.m. to 9 p.m.

Punched Paper Embroidery: paper needlepoint, Donna Horst, Instructor; will meet Tuesday evenings, November 3, 17, 24 and December 1 from 7 p.m. to 9 p.m. Stencilling: Lou DeLano, Instructor; will meet on Wednesday mornings, November 4, 11, 18 and December 2 from 9 a.m. to noon.

Rug Braiding: Mae Breneman, Instructor; will meet on Wednesday mornings, October 28,

November 4, 11 and 18 from 10 a.m. to noon.

Molded Pottery: Phil Richards, Instructor; will meet on Wednesday afternoons, November 4, 11, 18 and 25 from 1 p.m. to 3 p.m.

Tatting: Gloria Edmunds, Instructor; will meet on Thursday evenings, November 5, 12, 19 and December 3 from 7 p.m. to 9 p.m.

Egg Scratching: Evelyn Althouse, Instructor; will meet on Tuesday mornings, November 3, 10 from 8:30 a.m. until noon.

Corn Husk Braidings: Evelyn Althouse, Instructor; will meet on Wednesday mornings, November 5, 12 from 8:30 a.m. until noon.

Wood Graining: Marge Yoder, Instructor; will meet on November 14, from 9 a.m. until noon and 1 p.m. until 3 p.m.

Christmas Cookies of Yesterday: Mae Breneman, Instructor; will meet on December 1, 2, 3 from 9 a.m. to noon.

For further information, please call or write the Pennsylvania Farm Museum, 2451 Kissel Hill Road, Lancaster, PA, 17601.

Eastern Limousin slates fall sale Nov. 7

FREDERICK, Md. - The Eastern Limousin Breeders' Association will hold their fall sale Saturday, November 7 at 7 p.m. The sale will be held in Frederick, Md. at the County Fairgrounds Sale Barn.

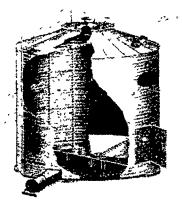
The sale will include 60 head of fullblood, American pureblood, and percentage bulls and temales.-Many of the females will be bred or have calves at side. There also will be 25 club calves in the sale.

A special consignment of the sale will be the fullblood herd of Keystone Limousin, Newville. Over the years they have established a herd of Keystone Commander daughters.

For further information contact Bob Bell, BR Cattle Co., Cookville, MD, 301/489-7180 or Eastern Limousin Breeders Association, 3540 Anderson Rd., Lynchburg, OH, 513/364-2077.

WESTEEL-ROSCO **GRAIN BINS**

Diameter	Model No.	Number Of Tiers	Bushel Capacity	Ft. Height Eaves _ Overall	Cash Price
13.8 Ft.	144	4 [.]	1453	10.3 14.3	*870.00
13.8 Ft.	145	5	1769	12.8 16.8	\$1,014.00
13.8 Ft.	146,	6	2085	15.3 19.3	\$1,173.00
19.1 Ft.	194	4	2883	10.3 15.8	\$1,414.00
19.1 Ft.	195	5	3488	12.8 18.3	*1,654.00
19.1 Ft.	196	6	4093	15.3 20.8	*1,920.00
19.1 Ft.	197	7	4698	17.8 23.3	\$2,135.00
19.1 Ft.	198 -	8	5302	20.3 25.8	*2,395.00
Prices Shown Are For Cash. FOB Manheim, PA K.D.					







Lancaster Farming, Saturday, October 24, 1981-B23

- ★ Additional Drying Sizes Up To 18,000 Bushels!
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- ★ Hopper Tanks Up To 20,000 Bushels!

	(For More Information, Call or Send Co	upon)
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