

Farming's Futures

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Where can price information be obtained?

Along with the reports carried each week in Lancaster Farming, there are a variety of possible sources.

For cash prices, check with your local elevator. Or the local cash price may be regularly published in a newspaper or broadcast on farm market reports.

Futures prices are published daily in the Wall Street Journal and most major newspapers as well as many local newspapers.

Your local elevator manager may maintain a record of futures prices and be able to provide most or all of the information you need. (Be sure the quality of the grain in the cash quotation matches that specified in the futures contract.)

With a little research, you may even be able to construct basis records for the past year or two by obtaining local weekly prices from a nearby elevator and futures prices from the elevator, a commodity broker, or the grain marketing specialist of the Extension Service.

Because futures prices can, and sometimes do, fluctuate widely during the course of a single day, you will need to decide on some consistent method of choosing which futures price to record. Probably the best choice is the closing futures price for the day.

For example, if the March futures price on a particular day ranged from a low of \$2.18 to a high of \$2.26 and closed at \$2.25, use \$2.25 to calculate the basis.

How helpful are basis charts?

They can often be very helpful in that the basis — and, just as important, the basis pattern — can be seen at a glance. On the other hand, if a tabular record of cash prices, futures prices, and the resulting basis is easier for you to maintain and use, it will provide all of the information you need. The choice is up to you.

With very little additional effort, however, you may wish to keep both a tabular record and charts for those months which are of interest to you.

There are several ways to plot a chart and the only best way is whichever way is best for you. Three possibilities are worth considering:

Plot actual cash and futures prices on the same chart. The difference between them is the basis. This approach has the advantage of showing dollars and cents price levels as well as the basis. The disadvantage is that variations in the basis may not be as readily apparent.

Plot the local cash price in cents per bushel below (or above) the futures price. This doesn't show the actual level of prices, but it does reveal even the smallest fluctuations in the basis and basis pattern at a glance.

Plot the futures price in cents per bushel above (or below) the local cash price. This method has the advantage that the basis for several different futures delivery months can be plotted on the same chart.

THORNDALE — "We now have 573 paid-up members in the Chester/Delaware Farmers' Association for 1982," reported Janet Robinson, membership coordinator, Oxford, during the farm organization's kick-off rally held last week at the Thorndale Inn.

Why is a knowledge of local basis necessary in order to hedge?

A knowledge of basis is necessary in order to translate a given futures price into a probable price for local delivery.

They futures price minus the basis is, in effect, the price the futures market is offering for your grain delivered at a local elevator during a particular month. This process is known, appropriately, as "localizing" the futures price.

For example, assume that during December the March futures price is \$2.25. Because you would like to store your crop for several months but are concerned about the possibility of a price decline, you are considering protecting yourself against such a decline by selling a March futures contract. That is, by hedging.

First, though, you need to know what the March futures price of \$2.25 is likely to mean to you in terms of a price for your corn delivered locally in March. If you know that the normal basis in your area during March is about 25 cents, you can quickly calculate that the futures market is offering you approximately \$2.00 a bushel for corn to be delivered locally during March.

An ability to rapidly translate futures prices into prices for local delivery is essential in order to hedge effectively — and in order to decide whether and when to hedge. The more information you have at your fingertips about your usual local basis at various times of the year, the better equipped you will be to make the kinds of decisions that turn out to be right decisions.

Chester/Del. Farmers' Assn. kicks off membership campaign

"This is a larger membership sign-up than last year at this time," she pointed out.

Joyce Hershey, Cochranville, and Tom Merroth, Guthriesville, co-chairmen of the drive announced 834 members is the goal for 1982. They said they expect to exceed this by at least four percent.

Art Hershey, Cochranville, was the moderator for the rally. He introduced Mitch Edwards, Oxford, insurance representative; Eugene McDowell, Lincoln University, marketing specialist; Ed Taczanowsky, regional organization director; and Leon Wilkinson, Landenberg, legislative committee chairman. They listed some of the accomplishments of Farmer's Association for its members as well as accomplishments for the agricultural community.

Taczanowsky, pointed out that two percent of the population in the U.S. are farmers. "This means that ninety-eight percent of the population are free to work at whatever they choose. They do not have to grow their own food, produce their own cotton and wool," he said.

McDowell noted that there are now 130 certified retail farm markets across Pennsylvania.

"Through the efforts of the Pennsylvania Farmers' Association, these markets have been able to add supplies and other product lines for sale to retail

customers. These additional sales help the farmer's market become profitable enough so that they can stay in business," he said. "Over one and a half million dollars worth of Pennsylvania grown foods have been sold through these programs. Customers can purchase local grown produce directly from farmers at a savings," McDowell concluded.

Edwards told the group that the federal government is pushing crop insurance in connection with their government loan programs. He said that any farmer with \$150 or more of annual payroll must, by law, carry workmen's compensation insurance. Severe fines can result if this is overlooked.

"Because of our record keeping and documentation of the low loss rates that Farmers' Association members have, we have been able to obtain two successive premium reductions in workmen's compensation insurance rates.

These premium reductions have been of benefit to all farmers, not just to Farmers' Association member," Edwards noted.

Wilkinson outlined a number of legislative accomplishments and objectives that Farmers' Association is involved with.

Membership teams will be contacting farmers in the Chester/Delaware Co. area for sign-ups during the coming month. The final wrap-up meeting will be held in January.

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