

Farming's Futures

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This week we will continue to clarify the organizational structure of the Chicago Mercantile Exchange.

In particular, we will be looking at the way trades are cleared. The clearing house, as this department is called, is unique in the financial world and is the foundation of the exchanger's financial integrity.

Daily Procedure

All transactions on the Exchange without exception, are made in the names of the clearing members. The Clearing House, therefore, deals directly and solely with the clearing members of the Exchange.

At the close of each day's trading, every clearing member submits a trade confirmation record on a computer card for every trade executed on behalf of the firm or its customers. Every one of these trades must be "cleared," i.e., verified and guaranteed, by the Clearing House. The trades may be "dailies" (e.g., contracts bought and sold or sold and bought back during the day) or "overnights" (contracts carried for more than one day).

Customers' names do not appear on this trade-confirmation record since the Clearing House treats its members as the buyers and sellers. The brokers who executed the trade are identified along with the number of contracts, price, commodity traded, and the delivery month.

The trade-confirmation cards are matched (verified) by Clearing House computers to assure that the clearing members on opposite sides agree. All unmatched cards are returned to the respective clearing members for reconciliation, and corrected confirmation cards are submitted to the Clearing House. All transactions must be "cleared" prior to the next day's market opening, so there is never a lag in a firm's transaction recording, unlike the practice in many other areas of business.

At the end of the daily clearing process, the Clearing House compiles a "trade register" for each clearing member. This register itemizes by commodity or other instrument "open" long (contracts bought) and short (contracts sold) positions of the

firm, the "daily" transactions made and offset, and the price at which each trade was made.

The Clearing House also computes for every firm a daily "futures recap ledger" which tells:

— How much money it lost or gained as a result of the day's trades;

— How much money it is due or owes as a result of the open positions held by the firm and resulting from its "daily" transactions. (Open-position computation is made by evaluating all positions on the basis of the day's "settlement price," which is the price established for every commodity at the close of trading.)

— How much "margin" money, if any, is due from the firm to secure its open positions.

Every clearing firm is advised what the daily market activity has either cost or gained from the firm and its customers. (To be continued next week.)

Send your questions about futures trading to Farming's Futures, Lancaster Farming, Newspaper, Box 366, Lutz, PA 17543.

U.S. farm organizations unite to stop foreclosures

ATLANTIC, IA. — Farm organization representatives met here recently and agreed on the necessity of parity farm prices to improve the overall economic situation, in both the state and the nation.

Leaders from the Iowa Farmers

Union, the U.S. Farmers Association, National Farmers Organization, Rural Iowa, and the American Agriculture Movement of Iowa unanimously endorsed a statement petitioning Congress and the U.S.D.A. to immediately implement a farm program with significant increases in support loan rates, with the eventual goal of full parity.

"Because Parity farm prices are necessary to improve the economic situation and reduce unemployment in both the state and the nation:

"We petition the Congress and U.S. Department of Agriculture to immediately enact and implement a comprehensive farm program with significant increases in support loan rates and an eventual goal of full Parity. This program must be based on definite price, production, and conservative goals.

— Support loans should be indexed to true farming costs;

— Production should be controlled to maximize the conservation of the productive potential of our soil thru effective set-aside programs and other measures to assure soil conservation;

— An adequate reserve program should be administered to protect consumers from potential shortages with release trigger prices solidly pegged at full parity levels.

"This demand must be worked for politically through various

strategies, including: coalition work with other organizations and groups; state legislation; collective bargaining, direct sales, and other marketing tactics; set-asides and holding actions; and public demonstrations and protests.

"Until this adequate farm price program is established and the agricultural economy strengthened, there must be a moratorium on all forced farm sales, including foreclosures and forced bankruptcies. All lenders must negotiate in good faith with farmers and their representatives to keep them on their land and operating."

"You can't continue to depress the largest industry in the nation — farming — without pulling the whole economy into another Great Depression," said George Naylor, Churdan area farmer who represented the U.S. Farmers Association at the meeting. "High unemployment, small business failures, high interest rates and government deficits are a direct result of farmers not having the cash in hand from their farm products."

A hotline to provide assistance to any farmer or small business in danger of foreclosure from Farmer's Home Administration or other lenders was established. Anyone needing assistance should call the Iowa Farmers Union at the special toll-free number 1-800-532-1114.

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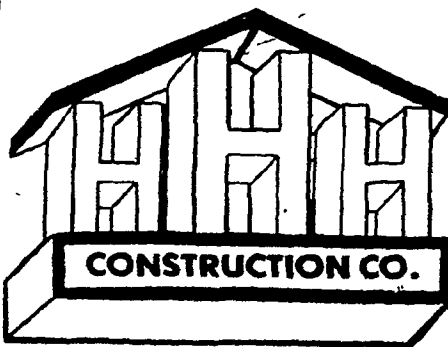
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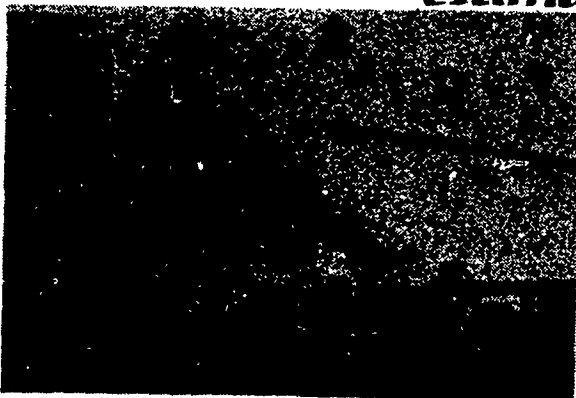


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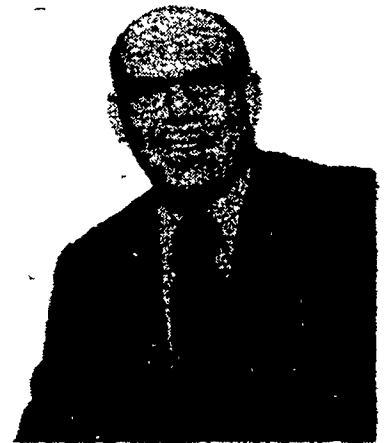
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