



Farm Talk

by
Jerry Webb

Laws of supply and demand

America's farmers are facing a basic economic truth as they harvest their crops this fall - that farm prices are determined by supply and demand. So the more they harvest, the worse they will do financially.

It's a basic fact of farming that a little too much of something makes a big difference in its price. And since we already have an ample supply of most farm commodities, including corn, soybeans and wheat, bumper crops are causing low prices and severe farm losses.

The economic experts say a five percent oversupply will cut prices 10 to 20 percent and affect profits even more drastically. And on the other side of the coin, a short crop can actually result in improved farm income.

While this seems contrary to logic, it is a fact. It would seem that if you have more of something to sell, it would yield more money. As an individual farmer and for a given price per bushel this might be true, but when all farmers start selling wheat, or corn, or soybeans, the total supply has to be considered.

Here's where a very important economic law comes into play. The law of diminishing demand says that if a great quantity of something is thrown on the market, it can be sold only at a lower price. How much the price must be lowered varies with the commodity. For most farm goods, a sizable price drop is necessary to move just a little more. But for sports cars, or some other luxury items, a small price cut could drastically increase sales and the added volume could more than make up for the cut.

When you stop to think about it, this relationship is fairly easy to see. Consumers can use only so much wheat regardless of the price. In a normal year, they're getting about all the wheat they want. Then when an extra five percent comes along the price on all wheat drops, just to market that little bit extra.

On the other end of the scale is a situation where if the crop is short the price will rise considerably. Consumers need bread and they're willing to pay for it.

Most agricultural goods are like wheat. If the supply is a little short, the price jumps a lot. And if the supply is long, the price drops. The size of the price change in response to the supply is the key. In the case of wheat or corn or soybeans this shift can be great enough to cause a higher total income from a less than normal crop - or seriously depressed prices from a small oversupply. In past years, an unfavorable growing season has been a blessing in disguise. The short crop boosts prices. Price times supply yields total income. A farmer who sells 10,000 bushels of corn for \$3 a bushel, is better off than one who sells 12,000 bushels for \$2 - assuming production costs are the same in both cases.

The trick in this economic hocus-pocus is to make the situation work for the farmer each year instead of against him. Various organizations have tried to control farm output by pouring milk on the ground, burning crops, burying baby pigs, and so on. For the most part, these farm level control programs have not worked. You see, agriculture is perhaps the last vestige of pure competition. Anyone who wants to

SYRACUSE, NY - Three top officers were re-elected by the 18-member board of directors of Agway Inc. October 25, immediately following the farm cooperative's 21st Annual Meeting in Syracuse, NY.

Re-elected were Richard Croner, Berlin, PA, chairman of the board; Richard C. Call, Batavia, NY, vice chairman; and William A. Hiller, Fayetteville, NY, president and chief executive officer.

Croner, who operates a dairy farm in partnership with his son, has served as Agway chairman since 1982. A member of the Agway board since 1964, he is a graduate of The Pennsylvania State University and was named a Pennsylvania Master Farmer.

Call, re-elected vice chairman, operates a dairy and crop farm in partnership with his brother, Bob. A member of the Agway board since 1973, he is a graduate of Cornell University.

William A. Hiller, re-elected

farm and who can get some land, machinery and supplies, can go into business. And whatever he produces will be sold at some price.

By himself, this farmer has virtually nothing to say about price and no effect on the market. He can't raise the price by holding his crop nor is he denied a market at some price when he's ready to sell.

Pure competition can be a very difficult game - each farmer doing his very best to grow and sell as much as he can. By definition, he hopes for a bumper crop for himself and the plague for all other growers. Sometimes his overzealous productivity is his own undoing. For collectively, these millions of farmers make up the total supply picture. This in turn sets the price. If total output is greater than demand, the individual suffers. That is obviously the case this fall.

Agway officials reelected

president and chief executive officer, was first named to the post on July 1, 1981. He joined Agway in 1951 and has held managerial positions throughout the organization. As Agway's top management officer, he heads a system with consolidated sales of \$4.1 billion in fiscal 1984-85.

A native of Stroudsburg, PA, Hiller graduated cum laude from Upper Iowa University and holds a master of science degree in agricultural economics from The

Pennsylvania State University.

One new director and five incumbents were elected to three-year terms on the 18-member Agway board of directors. Re-elected were: Richard C. Call, Batavia, NY; Eugene Freund, East Canaan, CT; Ralph H. Heffner, Pine Grove, PA; Frederick A. Hough, Augusta, NJ; Christian F. Wolff, Jr., Millville, PA.

Elected to his first term on the board was Vyron Chapman of Cassville, NY.

Brandt agent named PA's

'Farm Realtor of Year'

WYOMISSING HILLS - Tressie Caton has been named "The Pennsylvania Farm and Land Realtor of the Year." The award was presented to her by Past President of the Farm and Land Institute Charles Taylor, at the Annual Pennsylvania of Realtors Convention, in Hot Springs, Virginia.

Tressie is the Manager of Rich Brandt Farm Real Estate which covers a 12-county area in Pennsylvania. She is responsible for bringing a multi-million dollar agriculture business to Pennsylvania which will employ over 50 people.

Tressie is the Secretary-Treasurer of the Pennsylvania Farm and Land Institute for 1985 and has been re-elected for 1986. She was directly responsible for the Institute's increase in activity. The membership of Pennsylvania's Chapter had a 75% increase for 1985.

Tressie is a graduate of the Real Estate Institute. The award is



Tressie Caton

bestowed for outstanding performance and is not necessarily awarded annually.

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35LR1	35 000	105 000	55	120/240	150	1	3	580	600
45LR1	45 000	135 000	70	120/240	175	1	3	670	730
55LR1	55 000	165 000	86	120/240	225	1	3	730	750
85LR1	85 000	255 000	130	120/240	350	1	3	795	860

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