

Use of futures to boost farm income?

WASHINGTON — Congress has opened the door to an exploration of the possibility that farmer use of commodity futures and options markets might eventually play a role in national efforts to protect farm income, Chairman Kika de la Garza, D-Tex., of the House Agriculture Committee said.

"For many years, economists have been talking in an academic way about finding some way to take advantage of the price-

protecting features of commodity hedging to help move toward our national policy goal of maintaining a healthy and prosperous agriculture. Now we have a chance to find out whether this approach holds real promise," de la Garza said.

The new opportunity is contained in a section of the 1985 farm bill, the Food Security Act of 1985. The farm law directs the Secretary of Agriculture to make a study to find

out how producers of grains, soybeans and cotton might use commodity futures and options markets to protect their incomes and to find out how this might affect federal farm program costs.

The study will be more than an academic exercise, de la Garza noted, because the law requires the Secretary to conduct a pilot program in which grain, soybean and cotton farmers will be offered

a chance to participate in a test of the use of commodity markets to "lock in" price protection for crops. Farmer participants in the pilot program, which must be made available for voluntary use by producers in at least 40 counties, will be guaranteed that net returns for their commodities will not be allowed to fall below the price support levels for their crops.

"I do not know yet how the pilot program will be structured, but the law makes it clear that no farmer can be forced to take part in the experiment, and no producer will lose any of his existing farm program rights if he chooses not to participate in the test," de la Garza said.

"Nobody knows at this point whether the experiment will teach us anything useful about possible methods of strengthening farm income protection in the years ahead. But if there is any chance at all that we can come up with something helpful for farmers, this is worth testing," de la Garza added.

The law requires the Secretary of Agriculture to report the results of his study to the House and Senate Agriculture Committees by Dec. 31, 1988. No specific dates for operating the pilot program are spelled out in the law, but the Act specifies that the program is to be conducted "in connection with the study."

Some of the questions Congress wants answered are laid out in specific directives in the new law. Among them are:

— The extent of price stability and income protection producers might reasonably expect from participating in commodity markets.

— The impact on the federal budget if farmers participate in commodity markets compared with the cost of established price support programs.

— Whether it would be feasible to somehow mate federal price support programs with private sector risk-avoidance services.

In setting up the required pilot program, the Agriculture Department must consult on the design of the effort with an advisory group including farmers, processors, exporters and commodity traders. Once the program is designed, the Secretary of Agriculture would be required to join industry groups and the Commodity Futures Trading Commission in operating an intensive educational program for producers in the selected pilot counties.



Perry Co. Conservation farmers honored

Five family farmers received soil and water conservation award at Perry County's annual Cooperative Extension banquet recently. From left are recipients Dean Loy, Gilbert Adams, Robert Loy, Edward McMillen and Robert Raub. Making the presentation is David Roth (right) chairman of the Perry Conservation District.



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