

# Livestock Director Describes Cash-Flow Contracts

AMES, Iowa — Pork producers who want to retain their financial and management independence into the 21st century must be willing to give up a bit of their individuality by networking with other pork producers through systems that will provide access to capital, new technology, and markets.

Richard Ellinghuysen, National Farmers Organization (NFO) livestock director, gave that message to a select group of approximately 275 U.S. pork industry leaders participating in a recent symposium on "Networking: Competitive Positioning for Pork Producers." The symposium was coordinated and hosted by the National Pork Producers Council in Des Moines.

"The primary focus of these anticipated networking systems must be profit," Ellinghuysen said. "National Farmers' Group-Marketing+ program, which features a cash-flow contract, is positioned today to become one of those systems in the pork industry network."

Ellinghuysen suggested that "knowing where we are today, where we want to be tomorrow, and using the tools that are available to us, we can have a secure, profitable, and independent

future."

He noted that large companies are becoming a part of the pork production business today and that they are getting in to make money, not to become emotionally attached to the pigs. "By managing change, and not just reacting to it, and by thinking a bit differently about pork production, financing and marketing, we independent pork producers can compete and make money, too," he said.

National Farmers' GroupMarketing+ program has three main features, according to Ellinghuysen: (1) It is a group marketing activity that provides market leverage and market access through volume; (2) It features a Pork Improvement Project that uses extensive kill-sheet evaluation and ultrasound evaluation of gilts and boars to improve pork quality; and (3) it features a cash-flow contract that allows the producer to secure the same base price on a portion of his or her hogs for each month up to 12 months into the future.

Ellinghuysen described National Farmers' Cash Flow Contract as "similar to a forward contract, but with one key difference. A forward cash contract covers one

group of hogs to be market at a specific time at a preset price. The Cash Flow Contract deals with several groups of hogs to be delivered over a period up to 12 months. All hogs covered by the contract have the same preset price. Our members using the Cash Flow Contract like the steadier cash flow feature."

The NFO livestock department director advised that "before offering to sell hogs on a cash flow contract, we insist that our members evaluate the available price relative to their production costs and cash flow needs. If the margin is acceptable, then they put a portion of their production, usually no more than 10-percent of their anticipated annual production, into a single cash flow contract sale. If prices rally after they sell, they can enter another cash flow contract to lock in another higher uniform price for another increment of their production."

Ellinghuysen concluded that according to an Iowa State University study, 47 percent of Iowa

farmers have never used a forward cash contract, 74 percent have never used agricultural commodity options, and 76 percent have never used the futures market for hedging. "These are valuable tools that are going unused. National

Farmers' GroupMarketing+ program uses those tools, plus the price-influence of group volume, to give independent pork producers more control of their future. If we network and strive to manage change, we can survive and thrive in the future."

## Bradford County Sets Dairy Day

TOWANDA (Bradford Co.) — The Bradford County Dairy Day will be held on Monday, February 21 from 9:30 a.m. to 3:30 p.m. at the Troy Middle School in Troy.

This year's program will include presentations on BST: issues and answers, the pro and cons of manure storage, particle size analysis, and large round bale storage.

Exhibitors and sponsors are being accepted for Dairy Day. The deadline to register to exhibit or sponsor is January 7. Exhibitors will receive a 3 x 8 foot table at

Dairy Day. Sponsors will have their name printed on the brochure and have their names announced during Dairy Day.

If any business would like to exhibit or sponsor Dairy Day and did not receive an application form, please call Tom Maloney at the extension office, (717) 265-2896.

There is no charge for farmers to attend. A free roast beef dinner will be served. There also will be ice cream, milk punch, and other dairy products available, in addition to door prizes.

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