

Lehigh Seminar Provides Grain Marketing Alternatives

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Lancaster Farming Staff
TREXLERTOWN (Lehigh Co.) — If you're looking for a better price for your grains, don't wait until harvest time to sell your commodity. Chances are, you're going to get close to the bottom of the price range of the last few years, said a marketing specialist with the Maryland Cooperative Extension Service.

Instead, consider using futures contracts (a method of securing the best price despite fluctuations in final cash price for the commodity) or options (insurance against low prices) to get maximum dollars for your grain.

Whatever is done, it's important to gather all the information about the marketing alternatives before making a decision, according to Kevin McNew, marketing specialist for the Maryland Cooperative Extension.

McNew spoke to about 30 grain producers at the Grain Marketing Seminar Tuesday evening at the Pied Piper Restaurant near Trexlertown.

If you don't do any marketing before harvest — sell your grain at harvest and don't make use of forward contracts and don't use futures or options — then in the last five years, "you priced your grain in the worst half of the price range, most of the time," said McNew.

For wheat producers, waiting to sell at harvest has meant obtaining the lowest half of the price range in all of the last five years. For corn growers, the lowest half has been obtained in three of the last five years.

That's why, said McNew, it's important "to study marketing and why it's important to use marketing" to get the best price.

In a nutshell, one of the most

common ways to insure a good price is to examine locking in the price under a forward contract. That contract is made in the planting season for the commodity at harvest time. The price, amount, and delivery are set.

Producers can shoot for a more realistic goal — getting in the middle of the price range or a little higher — by making use of a different approach, which involves more risk, through futures contracts. That is an agreement made by the seller to the buyer to lock in a price today in the futures market what the seller will do tomorrow in the cash market, said McNew. Through hedging, or selling the futures price today for the grain at harvest, growers can provide a cushion for themselves for their product if the price rises or falls. The best contract is written when the "basis," the cash price minus the futures price, is, on average, relatively high.

Many factors go into determining an "effective price" using futures. But the high basis price is the key to determining a good contract.

Another approach would be to use a form of insurance, in which a premium is paid to insure that, in case the cash price of a grain falls at harvest time, the grower will still get a better price, depending on the size of the premium paid. This is called a "put option." The rate the grower pays will determine when exactly the contract is written and what the futures indicate.

Whatever the case, growers should consider all their choices before making a decision to use either futures or options in marketing grain, according to McNew. And sellers should do their homework and calculate what the benefits can be.



A grain seminar was sponsored on Tuesday evening by Penn State and the Lehigh Valley Grain Marketing Club. From left, Jeff Patton, Penn State marketing agent; Larry Turner, secretary of the marketing club; Dan Hunsicker, member of the club; Kevin McNew, Maryland grain marketing specialist; Kyle Henninger, president of the club; and Don Newhard, vice president of the club. Photo by Andy Andrews

At the seminar, worksheets provided information on how to determine futures and options contracts.

"What it tells you is, you should do this math before you go sign a forward contract," said the marketing specialist. "Do the math and figure out, is the price you're getting from your forward dealer, the elevator, comparable to this price?"

At the meeting, McNew recommended that growers who want to market grain put only 50 percent of the year's expected production with a forward contract. The other 50 percent of the production can be placed in options.

The meeting was sponsored by Penn State and the Lehigh Valley Grain Marketing Club. Penn State provides more information regard-

ing how to use marketing alternatives for grain. For more information, consult the free publication, "Marketing Resources For Grain and Forage Producers," available from the Lehigh County Cooperative Extension, Lehigh County Ag Center, 4184 Dorney Park Rd., Allentown, PA 18104-5798, (610) 391-9840.

EAYFA Holds Training Session

EPHRATA (Lancaster Co.)—Ephrata Area Young Farmers monthly meeting was held on April 11 at the Earl G. Martin Farm on Royer Road.

Rob Kauffman, research manager for Brubaker Consulting, presented a training session on pesticide spraying and corn planter calibration. This seminar was edu-

cational to aid in the proper handling and application of agriculture enhancement products.

The planter adjustments to use the most profitable amount of seeds and at proper depths are essential to making the most profitable result. In addition, the fertilizer and any other additives need the same careful handling.

The implements were used in the educational process.

A discussion on scholarship and Cloister buying group was followed by a report on the ag in the classroom. It was very interesting to hear of the responses.

The next monthly will be on May 9, to include a gardening and horticultural presentation.



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Art Auction — 12:00 NOON We have a fine collection of Originals, Limited and Open Editions and Prints, as well as Collector Plates. Here's a sampling: "Summer Birds" by Steve Leed • "Hunter's Haven" by Terry Redlin • "Prepared for the Season" by Terry Redlin • "Watt and Shand" by Deb Smith • "Hershey Mill Farmhouse" by Joann Hensel • "Skate" by Arlene Fisher • "Sleigh Bells Ring" by Linda Nelson Stocks • Henry Lapp prints • Susie D. Riehl • Many more artists!

Special Feature Items — 12:30 P.M. Windsor Child's Rocker • Windsor Baby Cradle • Windsor Continuous Arm Bench • Tiffany-style Hanging Lamp (Multi-colored Fruit design) • Two-Story Colonial Dollhouse (33x24x33) by Benj. E. Brubaker, Lancaster • Limited Edition (sold out) Print "Repairs" (Popular Antique Tractor Print by Dave Barnhouse) • Limited Edition Print "Star Barn" by David Brumbach • "Manheim Christian Day School 1995" (original oil painting by Linn Longenecker • 16-20 foot Village Green Zelkova Tree, planted on your property • Football autographed by Manheim Central Football team • and much more!

Quilt Auction — 1:00 P.M. Over thirty-five quality Lancaster County handmade Quilts, including • Country Love • Hershey Quilt (off white, old pattern) • Marner's Compass • Country Lily • Spinning Star • Round About Log Cabin • Rose Wreath • Call of the Wild

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