



# Farm Management

## DETERMINING MARKET TRENDS

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Most livestock and crop producers are not "day-traders" — participants in the market on a daily basis — nor should they be. A typical producer may enter the market only a few times in a marketing year, or only once, as when selling the crop at harvest.

Because producers are not day-traders, market trends are one of the most valuable tools, or indicators, that can be obtained from correctly executed charts.

*Trends determine the direction the market might take for an extended period of time.*

A trend usually continues until some major economic force enters the market, causing a change in direction. For example, if the U.S. has huge surplus stocks of corn, producers can expect a sideways (horizontal) price trend until either a severe drought or a dramatic increase

in world demand lowers the surplus. Either of these developments, or a combination of the two, would cause the market to move from a sideways trend to an uptrend.

You can get a feel of the direction the market is taking by simply listening to market news on the radio. But charts provide a visual display of price movement that gives you, as a farm business operator or owner, a much better understanding of market trends. This is similar in principle to a road map, which shows specific twists and turns in the road, instead of just the general direction the traveler is going.

The three basic trend lines — sideways, uptrends, and downtrends — also are classified as to the time of trend patterns, because markets never move continuously in a smooth pattern. There are short-term, intermediate, and long-term trends. An example of trends within trends would be a short-term downtrend within a long-term up-

trend in the market. A short-term trend generally is defined as lasting less than 20 days, an intermediate trend from one month to a maximum of six months, and a long-term trend continues six months or more.

Producers can plot trend lines on either a daily or weekly market chart. It's an individual decision on how much information is needed to fit the marketing needs of a particular enterprise, and how much time can be spent in charting.

The sideways trend is usually the longest running trend in the grain market. This is generally due to the presence of large surpluses accompanied by a steady demand pattern that does not lower the surplus level at a significant rate. Based on fundamental factors, intermediate and long term sideways trends normally appear at the bottom, or close to the bottom, of a trading range. Sideways trends can be frustrating for producers, especially because they occur at the bottom of the market. Sellers are always waiting for uptrend lines while buyers are holding out for downtrend lines.

### The Uptrend Line

Draw the line along the bottoms of the market movement, connecting as many points as possible. The basic uptrend line serves two important functions:

- It shows the steepness of the upward direction.
- It is an indicator of how high prices might go, as long as the line is not broken.

The uptrend line is also a support line because it is drawn at the close of rallies. This is important: If the market closes two days in a row below the line or if the market is breaking through the support, the market can be expected to reverse its course.

**Caution:** The market may not immediately run into a downward trend, because rising markets generally have one last gasp at trying to continue upward before switching to a downtrend.

### The Downtrend Line

Draw the line along the tops of rallies and connect as many

points as possible. Because the market has difficulty penetrating this top line, it becomes a resistance line. Expect a change in market direction if the market closes above the downtrend two days in a row. *Note:* Downtrend lines often turn into sideways trend lines.

### Conclusions

It is important to draw in both long-term and short-term trend lines. Knowing the direction prices are moving is one of the first steps in achieving a successful marketing plan. Trend lines give a strong indication of what can be expected in the future.

## Decision To Ban Products

WASHINGTON, D.C. —

While no cases of bovine spongiform encephalopathy (BSE) or "mad cow disease" have been found in the U.S., Dr. Craig Reed of the USDA's Animal and Plant Health Inspection Service said the agency's decision to ban the import of meat and bone meal products from Europe is based on "sound science and extensive research."

Reed, administrator of APHIS, said the agency will continue "to take aggressive measures to protect the United States from BSE introduction and to ensure the security of U.S. export markets."

These measures include active surveillance, testing, prevention, education and emergency preparation, Reed said.

"In 1998, USDA entered into a cooperative agreement with

Harvard University's School of Public Health to analyze and evaluate the Department's efforts to prevent BSE. A report is expected to be issued early next year," Reed said.

On Dec. 7, the USDA took an "emergency action" in prohibiting the import of all rendered animal protein products, regardless of species, from Europe. The move mirrored actions taken by the European Union in November to prevent the spread of BSE. The EU banned the feed of nonruminant origin, which they determined was potentially cross-contaminated with the BSE agent.

The same type of rendered product from ruminant origin has been banned from BSE infected countries since 1989 and all of Europe since 1997.

## FDA Finalizes Safe Handling Labels, Refrigeration Requirements For Marketing Eggs

WASHINGTON, D.C. — Consumers will soon have more safe handling information and new refrigeration requirements to help prevent foodborne illness from eggs contaminated with Salmonella Enteritidis.

The U.S. Food and Drug Administration (FDA) recently issued a final regulation to improve food safety as it pertains to eggs. The refrigeration requirement will be effective in six months, while the safe handling requirement will be effective in nine months.

"The Clinton administration has consistently demonstrated its commitment to food safety and ensuring that the United States continues to have one of the safest food supplies in the world," said Dr. Jane E. Henney, FDA commissioner. "Today's efforts should go a long way toward preventing illness that has been attributed to eggs in the past."

The regulation will require shell egg cartons to bear safe handling instructions because of eggs' association with Salmonella Enteritidis (SE), a bacterium responsible for foodborne illness. Approximately one out of every 20,000 eggs produced in the U.S. is estimated to be contaminated with SE. The required statement is as follows:

**SAFE HANDLING INSTRUCTIONS:** To prevent illness from bacteria: keep eggs refrigerated, cook eggs until yolks are firm, and cook foods containing eggs thoroughly.

SE outbreaks have been attributed to undercooked eggs and foods containing undercooked eggs served in homes, private gatherings and commercial establishments.

"For consumers, eggs can be an important source of nutrition," said Henney. "You just need to cook your eggs thoroughly — no sunny side up, no over easy. This is a case when it's better to be safe than sorry."

Persons infected with SE may experience diarrhea, fever, abdominal cramps, headache,

nausea and vomiting. However, children, the elderly and persons with weakened immune systems may develop severe or even life-threatening illness.

Additionally, the rule requires that eggs be placed promptly under refrigeration at 45 degrees Fahrenheit or lower upon delivery at retail establishments (supermarkets, restaurants, delis, caterers, vending operations, hospitals, nursing homes and schools). Refrigeration at an ambient temperature of 45 degrees Fahrenheit or cooler slows

the growth and development of SE.

This rule is one part of the larger Egg Safety Action Plan, a farm-to-table approach for ensuring the safety of our nation's egg supply, which was announced by the President on Dec. 11, 1999. The plan, a joint effort by the FDA and the Department of Agriculture, seeks to reduce by 50 percent the number of SE illnesses attributed to contaminated eggs by 2005 and eliminate egg-associated SE illnesses by 2010.

The Egg Safety Action Plan will further enhance the strides that have already been made in reducing the incidence of SE. Efforts by federal regulatory agencies, public health prevention initiatives, egg producer quality assurance programs, and consumer education have significantly contributed to the decrease in SE incidence.



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