Agriculture

The big question: to store or not to store

As the corn and soybean harvests progress, farmers in Perquimans County and the rest of northeast North Carolina face some difficult decisions concerning which crop to hold in storage.

Crop prices are disastrous! Our farmers want to know whether to leave their wheat in storage, or sell their wheat and store corn or soybeans. Should you store either corn or soybeans?

Let met say that I am not able to tell you what will happen in the future. If I could, things would be much simpler and I would have made many millions on the commodity market by now. There are no clear cut answers to the question of what to store.

Demand for domestic grains is expected to be higher for the next few months, but this will not outstrip increases in supply. Therefore, we can expect carryover stocks at the end of the 1982-83 marketing season to be higher.

The outlook according to most forecasters is not good.

What should our farmers store: corn, wheat or soybeans? Dr. Everett Nichols of Extension Economics-Grain Marketing has provided us with the following information which may help farmers in making the decision of which crop to store.

A bit of figuring may help you make up your mind which is the most profitable crop to store in 1982.

One way of looking at this is to figure a breakeven price — the price that is needed sometime in the future that will cover all storage costs and make you as well off as if you had sold the grain at harvest and either paid off the note that you owed or invested the money in a certificate of deposit or other interest-bearing instrument.

Some of the information you will need in making the calculations includes: 1) the current market price of wheat, corn and soybeans, 2) the number of months you wish to store, 3) the expected price increase in months ahead and 4) the cost of storage.

The formula for figuring the cost of storage is: cost of storage equals market price times (interest rate percentage + shrinkage percentage + physical storage cost percentage) times the number of months of storage divided by 12.

Market price is the current cash price; interest rate is the opportunity return rate (either the rate on a note due or current interest rate); shrinkage is the weight loss of grain in storage (two percent for wheat and corn, one percent for soybeans) and physical storage cost is the variable cost associated with storage (24 cents/bushel/year for farm storage or 36 cents/bushel/year for commercial storage).

If we assume an average price of $5.37 per bushel and a six-month storage period (mid-September to mid-March) the cost of storage is as follows.

Farming The Flatlands

north carolina AGRICULTURAL EXTENSION SERVICE

By Bill Jester
Extension Chairman

- Cost of storage — $5.37 (16 percent + 1 percent + 4 percent) x 6/12 equals $1.13 x 6/12 which yields 56 cents.
- Breakeven price — $5.37 + .56 equals $5.93.

Thus the farmer would need $5.93 from his soybeans next March to justify storage.

Currently the March soybean futures in Chicago is $5.83 per bushel. Adjusting this price for the historical basis of one to five cents higher per bushel, the expected cash market price in central North Carolina markets would be $5.84 to $5.88 per bushel.

This analysis would suggest that holding soybeans for later sale (March 1983) is not profitable under current price conditions since the breakeven price would exceed the expected market price by five to nine cents per bushel.

I must caution our farmers that the cost of storage, expected market prices and length of storage are constantly changing. Each farmer should carefully figure his own storage cost and make his own projections about expected price increases in the months ahead.

Using the formulas for storage cost and breakeven prices he can then make better management decisions whether to store or sell at harvest and whether to forward price the grain that is stored or leave it unpriced and speculate that prices next March will be higher.

The returns from storing wheat are as follows. Presently, no. 2 red winter wheat prices range from $2.73 to $3.00 per bushel in North Carolina markets. If we assume an average marketing price of $2.86, the cost of storage from mid-August to mid-March is as follows:

- Cost of storage — $2.86 (16 percent + 2 percent + 8 percent) x 7/12. This equals .74 x 7/12 which yields .43/bushel.
- Breakeven price — market price + cost of storage equals $2.86 + .43 which yields $3.29.

To be as well off in March 1983 as selling today and paying off the 16 percent production note, the farmer would need to get $3.29 for his wheat next March.

Currently the March wheat futures is selling for 3.75 in Chicago. Adjusting this price by the historical basis (difference between the Chicago futures and local cash market) of minus 10 to 15 cents per bushel, the expected cash market prices in central North Carolina markets would be about $3.60-$3.65 per bushel. This expected market price would exceed the breakeven price and yield a return to overhead, management and risk of 30-35 cents per bushel.

Now let us figure the returns from storing corn. Presently no. 2 corn prices (new crop) range from $1.99 to $2.27 per bushel in North Carolina markets. Let's assume an average price of $2.13 and a seven-month storage period from mid-August to mid-March.

- Cost of storage — $2.13 (16 percent + 2 percent + 11 percent) x 7/12 equals .62 x 7/12, which yields 36 cents.
- Breakeven price — $2.13 + .36 equals $2.49.

Thus the farmer would need to receive $2.49 for the corn next March to be as well off as he would have been by selling it now and paying off his note.

Currently the March corn futures in Chicago is selling for $2.44 per bushel. Adjusting this price by the historical basis of 12-15 cents per bushel higher, the expected cash market price in central North Carolina markets would be about $2.56 to $2.59 per bushel.

The expected cash market price would exceed the breakeven price by 7-10 cents per bushel.

In figuring the returns on soybeans we should consider that presently no. 2 soybean prices (new crop) range from $5.14 to $5.60 per bushel in North Carolina markets.

Farm Bureau opinion

Farmers face financial disaster

By JOHN SLEDGE
President
N.C. Farm Bureau

In 1919, as World War I came to a close, corn was selling for $2.03 per bushel. Although it was 1947 before it hit the $2 mark again, corn prices in 1982 have not been averaging much better. At the same time, production costs for corn are at an all time high.

Such is the plight of most farmers in North Carolina and the nation in 1982 as they find themsleves caught up in what some observers call the most severe financial crunch since the 1930s.

Very few commodities are escaping the squeeze. In addition to corn, soybeans and wheat, for example, are selling close to and below the costs of production.

Although some improvement in hog prices has become apparent in recent weeks, prices received by farmers for both livestock and crops have been depressed because of abundant supplies, weakness in the economy, and sluggish consumer demand.

However, farm production expenses — including interest rates — have continued to rise, holding down net farm income.

Interest costs paid by farmers have increased sixfold in the past 11 years, rising from $3.2 billion in 1970 to an estimated $19 billion last year. Interest expenses now account for 13 percent of farmers' total overall farm production costs, compared with about 7½ percent 10 years ago.

Fortunately, there have been recent indications that interest rates may be decreasing somewhat. However, interest charges are not the only farm production cost that has skyrocketed during the past few years.

Diesel fuel, for example, has jumped an unbelievable 200 percent since 1973, the year of the Arab embargo.

Just a regular row-crop tractor — which cost about $10,000 to $20,000 ten years ago — now sells for between $40,000 to $45,000.

A large grain combine that cost the farmer about $22,000 ten years ago is priced at between $50,000 and $70,000 today.

Prices for fuels and energy have more than doubled in just the past five years, while the cost of tractors and self-propelled machinery has risen 52 percent.

The farmers' present situation is apparent when one notes that the index of prices paid by farmers rose 50 percent between 1977 and 1981, while the index of prices received for all farm products rose only 38 percent. In fact, North Carolina and the nation probably have more farmers in financial straits now than in the past several decades.

Since the financial health of production agriculture very clearly influences economic activity throughout our state and nation, we cannot afford for agriculture to remain in its present condition.

Most farmers feel that time is running out and, with commodity prices for this year's production being especially bleak, disastrous consequences could lie ahead unless something is done very soon.

What can be done? One thing we know for certain. Expanded farm export sales is essential to help reverse the decline in farm income.

There is no question that past embargoes have damaged our reputation as a reliable supplier of farm commodities to foreign nations. It is urgent that our government realize that selective embargoes are destructive to American agriculture and the nation as a whole.

It is time for Congress to start taking positive trade action. A properly funded Commodity Credit Corporation export credit revolving fund, for example, will do much to develop new markets, despite irresponsible Japanese and European Community trading practices.

As an organization, Farm Bureau recently urged the use of Export-Import Bank funds to finance U.S. farm exports to Mexico, a country that is in a severe financial crisis.

One hopeful sign in the trade area is the recent one-year extension of the U.S.—Soviet Union grain trade agreement, under which Russia agrees to take a minimum of six million tons of U.S. grain.

Farmers are to be commended for their efficiency and ability to supply the food and fiber needs at reasonable prices for this country, as well as much of the world. However, because of present surpluses, some restraint may be necessary to bring supply more in line with demand.

In line with this need, Congress included a paid land diversion program for wheat, feed grains, and rice in the 1983 budget reconciliation measure.

There can be no question that agriculture in this state and the nation is in serious trouble. There are no easy answers, and the solution will require the best thinking and input of all farmers.

The time is growing late.

Pork Queen contest scheduled

Living With Livestock

north carolina AGRICULTURAL EXTENSION SERVICE

By Jeff Copeland
Ext. Livestock Agent

Wives of the Northeastern Pork Council have come up with a great idea to promote pork and give a young lady a chance for royalty.

At the Chowan County Fair on Tuesday, September 21 at 8:30 p.m. there will be a Northeastern Pork Queen Contest.

Eligibility is a single female member of a pork-producing family and/or a girl who has completed a pork-related 4-H project (ages 17-22 as of September 1).

Prizes are $100 cash, trophy and ribbon for being named 1982 Northeastern Pork Queen; $75 and ribbon for second place and $50 cash and ribbon for third place. All contestants will receive a gift.

For more information on the contest or a copy of the entry form, contact our office at 426-5428. The deadline for entering is September 8.

It would be nice to have a representative from Perquimans County at this event.

Also at the Chowan County Fair this year there will be a steer show on Thursday, September 23 at 7:30 p.m. This event is open to exhibitors under 21 years of age as of September 20 living in the Northeast District of North Carolina.

Deadline for entries is September 3. For additional information, contact our office at 426-5428.

Those 4-Hers planning to show in the 1983 Livestock Show might want to attend just for the experience.

Market summary

A total of 8,537 feeder pigs were sold on 11 state graded sales during week of August 23, according to the Market News Service of the North Carolina Department of Agriculture. Prices were $2.25 to $3 higher on 40-50 pound pigs but 50 cents to $5 lower on 50-60 pound sizes.

US 1-2 pigs weighing 40-50 pounds average $150.84 per hundred pounds with No. 3s $140.05; 50-60 pound 1-2s average $128.82; No. 3s $112.41; 60-70 pound 1-2s $110.53, No. 3s $102.

At nine weekly livestock auctions held within the state 7,243 cattle and 2,294 hogs were sold. Prices for slaughter cows were 75 cents to $1 higher, slaughter calves irregular and feeder calves steady. Utility and Commercial slaughter cows brought $38 to $45 with Canner and Cutter at $33 to $41.75.

Choice slaughter calves 350-550 pounds sold from $52.50 to $55.75. Slaughter Bulls above 1000 pounds sold from $44.75 to $52 per cwt. Medium Frame No. 1 thickness 400-500 pound feeder steers brought $58.50 to $69.

Same weight Medium Frame No. 1 heifers brought $50 to $58 with Small Frame No. 1s at $48 to $55. Beef type Feeder Cows carrying average flesh brought $38 to $45 with thin flesh at $35 to $40 per hundred pounds.

Baby calves under three weeks of age brought $27 to $67 per head. Market hogs 200-240 pounds sold from $63 to $64.70 with sows 450 pounds up at $57.10 to $60.10.

Top hogs at daily buying stations were 25 to 50 cents higher ranging from $63.50 to $65 per hundred weight with sows over 500 pounds at $54 to $58.

Corn prices were 8 to 10 cents per bushel lower and soybean irregular through Thursdya, Aug. 26 compared to the same period of the previous week. No. 2 yellow shelled corn ranged mostly $2.23 to $2.37 in the Eastern part of the state and $2.35 to $2.48 in the Piedmont.

No. 1 yellow soybeans ranged mostly $5.80 to $6.09 in the East and $5.63 to $5.84 in the Piedmont; No. 2 red winter wheat $2.89 to $3.05; No. 2 red oats $1.13 to $1.45. New crop prices quoted for harvest delivery Corn $2.01 to $2.20, Soybeans $5.34 to $5.57, Wheat $3.05 to $3.44.

The broiler-fryer market is two cents higher for next week's trading. Supplies are light to moderate. Demand is good. The North Carolina dock weighted average price is 43.21 cents per pound for less than truckloads picked up at processing plants during the week of August 23. This week 9.0 million birds were processed in North Carolina with an average live bird weight of 4.14 pounds per bird on August 25.

Heavy type hens were 3 cents lower this past week. Supplies were fully adequate and demand moderate. Heavy type hen prices 14 cents per pound at the farm with buyers loading.

Egg prices were higher on all sizes with the greatest increase on mediums compared to those of the previous week. Supplies were moderate. Demand was moderate to good.

The North Carolina weighted average price quoted on August 26 for small lot sales of cartoned grade A eggs delivered to stores was 73.93 cents per dozen for large, medium 63.84, and smalls 47.55.