

FARM AND RANCH BULLETIN

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FUTURES TRADING IN BEEF CATTLE

Beef cattle futures contracts were initiated by the Chicago Mercantile Exchange on November 30, 1964, according to a release prepared by the Western Livestock Marketing Information Project, Denver, Colorado. The deliverable commodity is Choice-grade slaughter steers.

A futures contract differs from other types of contracts. The futures contract is traded on organized futures exchanges, has standardized terms, and is largely a nonpersonalized paper transaction. The parties to the contract generally do not make or take delivery of the actual commodity. A futures market is an exchange or trading place providing the vehicle for establishing uniformity of contracts and delivery terms. The market place provides the terms for trading in these contracts and is the central point for communications for the contract market. Trading in futures affords a market through which producers, processors, and others may hedge inventories.

A futures contract calls for delivery of a commodity in a stated future month. The contract is an agreement to deliver or take delivery of a specified amount and quality of the commodity at a price agreed upon by buyer and seller. To fulfill the contract, the seller may make delivery and the buyer may take delivery; but, in most instances, there is little actual exchange of the commodity. The buyer and the seller may, and often do, take an offsetting contract prior to the delivery date. Thus, the contract can be consummated

through either making and taking delivery or taking offsetting transactions.

A cattle futures contract calls for delivery and acceptance of 25,000 pounds of Choice steers. All the steers must be in a weight range of 1,000 to 1,150 pounds, with an estimated dressed yield of 61 percent, or all are to be in a weight range of 1,150 to 1,300 pounds, with an estimated dressed yield of 62 percent. Variations in weight, lower grade or dressing percentage, and fat covering of more than 1 inch over the rib eye are discounted.

The months announced for 1965 delivery are April, June, August, October, and December. When delivery is to be made, the cattle may be delivered to the livestock yards in Chicago, or to Omaha at 75 cents per hundred pounds less than in Chicago.

Trading may be done through members of the exchange who execute orders for purchase and sale of contracts. Arrangements for buying or selling can be made with brokers through-

The table below shows numbers of beef futures contracts in effect by months for 1965 (as of March 19).

April	558
June	637
August	463
October	391
December	70
Total	<u>2,119</u>

out the country who, in turn, wire the orders to the Chicago exchange and its trading floor. When a futures transaction is made, whether the individual is buying or selling, a margin deposit is required. The beef cattle contract has a minimum initial margin of \$500 per contract. Each party to the contract deposits the margin money with his broker. Additional margin may be required if the value of the contract changes adversely; likewise, margin may be withdrawn if the value of the contract changes favorably.

Brokers are paid a commission on each contract bought or sold. The present commission on beef cattle futures is \$36 per contract. The commission is payable on the basis of a "round turn," that is, when a contract is fulfilled by an offsetting transaction or by delivery or acceptance of the steers.

The futures market provides a method of shifting price risk to professional risk takers. This is accomplished through hedging. Hedging is offsetting the ownership of a commodity — or the obligation to deliver or accept delivery of a commodity — by a counterbalancing sale or purchase in the futures market. When products are hedged, loans may be more readily obtained, since much of the price risk has been shifted. When less risk is involved, any business enterprise can operate on less margin or spread, according to the study. There are few, if any, perfect hedges made; therefore, the price risk is not fully covered from the hedger's standpoint.

Evergreens Need Regular Watering

Evergreen plants should be watered throughout the year if good leaf color and plant health are to be maintained, points out Everett Janne, Extension Landscape Horticulturist at Texas A&M University. Evergreens frequently suffer from lack of moisture during the winter season because of the natural tendency of people to stop watering plants every winter until the spring growing season begins.

According to Mr. Janne, watering evergreens thoroughly every 2 or 3 weeks is preferable to light watering more frequently. The plants should be watered with a soaker hose

or sprinkler until the soil is soaked to a depth of 12 to 18 inches. The specialist says that performing this task manually is impractical because of the time required.

After being removed from the soil by the root system, moisture is transported throughout the stems to the leaves where it is lost to the atmosphere through transpiration. With their large amount of leaf surface area, evergreens continue to lose large quantities of water vapor to the air during the winter. Severe leafburn will result if the soil moisture is not replaced by normal rainfall or supplemental irrigation.

Kleingrass for Improved Pastures

A new grass variety, kleingrass, shows promise of being an excellent choice for improved pastures, according to scientists at the Coastal Bend Experiment Station, located near Beeville, Texas. Work at the station indicates that the grass is quite drought-resistant and will grow from early spring until late fall.

The kleingrass being evaluated at the Coastal Bend Experiment Station was introduced from Africa in the late 1950's. It grows from 3 to 5 feet tall; yet it is very palatable. The grass is maintained in rows by annual cultivation. Kleingrass is a bunchgrass, and the rows help to maintain proper plant population for good production in dry areas.

The acquisition of seed poses a current problem with kleingrass. The seeds tend to shatter soon after they mature, making seed harvest difficult. However, researchers believe that this problem can be overcome.

A Texas A&M scientist says that the grass will grow in many sections of the State. He reports that several farmers in the Texas High Plains area are already using it.

Off-Flavor Milk for Calf Weaning

The setback which calves experience at weaning time probably could be reduced by feeding the mother cow some material which gives her milk a bad taste, states Dr. Jan C. Bonsma, visiting professor at Texas A&M University.

Calves lose a tremendous amount of weight during the weaning period. Dr. Bonsma points out that weaning calves are nervous; they run around a great deal and do not eat properly. Under most range conditions, calves at weaning age (usually 6 to 8 months) often are heavier than they are at 1 year of age, because of this setback.

Dr. Bonsma has observed calves become reluctant to suckle when their mothers had eaten certain plants that impart a bad taste to the cows' milk. If some substance which gives milk a repulsive taste were fed to the cow around weaning time, the calf might gradually wean on its own accord without the usual nervous stress, according to the specialist.

Cut Sweet Potato Costs

A recent U. S. Department of Agriculture publication describes ways to reduce sweet potato injuries and to lower handling costs by using crates placed on pallets in order to move the crop from the field and hold it in storage. Tests show that moving and storing sweet potatoes in crates, rather than in bushel baskets, reduce losses and damage about 13 percent.

According to the report, growers could save about \$19 per 100 bushels of sweet potatoes by replacing baskets with crates that make possible the use of mechanical handling equipment. In making this estimate, the following factors were taken into consideration: (1) sweet potato quality conditions, (2) grading practices, and (3) prices in effect at the time of the study.

Part of the reduction in handling costs would result from decreased labor requirements. One man operating a forklift truck could move as many palletized sweet potatoes per hour as could a crew of four to six men handling baskets, according to the USDA release. The tests with palletized crates were made on a commercial scale; however, small-scale tests with pallet boxes also indicate good potential.

Details of the test are included in ARS 52-2, *Pallet Boxes and Palletized Containers for Handling and Storing Sweet Potatoes*. Sin-

gle copies of the publication may be obtained, without charge, from the Transportation and Facilities Research Division, Agricultural Research Service, U. S. Department of Agriculture, Federal Center Building, Hyattsville, Maryland 20781.

Quality Seed Pays



Money invested in quality planting seed is good insurance, according to R. J. Miers, Agronomist with the Texas Agricultural Extension Service. He says that no crop can be better than the seed and variety planted. The use

of high-quality seed of adapted varieties is basic to successful farming. It is poor business to plant seed of low or unknown quality and seed that is not adapted to the area.

Varietal purity is assured when Texas Certified Seed are purchased, according to the agronomist. There are many varieties of each crop, and they differ greatly in yielding ability, height, resistance to diseases and insects, date of maturity, seed color, and other characteristics. New varieties are not released unless they are superior in important characteristics to commercial varieties already in production.

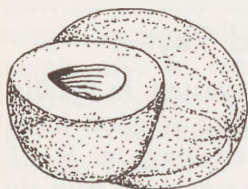
The purpose of the Field Certification Law is to create and make available a source of purebred seed that has merit and true varietal name. Consequently, the purchaser has the benefit of an honest and unbiased opinion of the quality of such seed.

The certified tag and seal mean that —

- (1) The seed were produced in fields which were properly isolated from other fields of the same crop.
- (2) Essentially all rogues, or offtype plants, were removed from the seed fields prior to blooming.
- (3) The seed are free from noxious weeds and are essentially free from seed-borne diseases.
- (4) The seed will germinate satisfactorily.

Mr. Miears says that all of the above factors are important for the production of high yields and quality crops.

Perlita Cantaloupe



Perlita is a new cantaloupe variety that is resistant to downy and powdery mildew. The variety was developed for the Lower Rio Grande Valley, where

conditions are highly favorable for the occurrence of these diseases, according to the Texas Agricultural Experiment Station. Perlita has excellent external appearance and possesses good shipping quality.

The new cantaloupe plant has medium-size vines that are highly resistant to downy mildew, powdery mildew, and crown blight. Perlita produces a very early yield of well-netted, medium-size, round-oval fruits with hard rinds. The internal flesh is salmon-orange in color, thick, and fairly firm, with a good flavor. The seed cavity is dry; soluble solids average 12.5 percent.

The external rind of the new cantaloupe is yellow-orange at full maturity, with a small, dry stem scar. Perlita is distinct from other cantaloupes in that it will produce good size fruits three to four nodes away from the root crown. It produces melons that are free from bare sutures and stem-end cracks. Perlita is resistant to fruit rind rot caused by extremely wet soil during the fruit maturity period.

Ample supplies of Perlita seed for commercial growers should be available from local seedsmen in December 1965, according to the Texas Agricultural Experiment Station.

Studies on the relationship of diet to body function and longevity of experimental animals show that overeating shortens the lifespan, reports the U. S. Department of Agriculture. Rats that ate excessive amounts of food and gained weight at a rapid rate died at an early age, regardless of the composition of their diets.

More Beef from Texas Feedlots

An estimated 969,000 head of cattle and calves were marketed from Texas feedlots during 1964, reports Edward Uvacek, Extension Livestock Marketing Specialist and Assistant Professor at Texas A&M University. This figure represents a 227-percent gain over the number of cattle marketed in 1958.

Most of the increase has occurred in the feedlots with a capacity of 1,000 head and over. Slightly more than 90 percent of all Texas cattle on feed are in these larger feedlots.

The majority of the State's large feedlots are located in the Panhandle and Gulf Coast areas. The Panhandle still has the greater percentage of large feedlots, but the Gulf Coast region is advancing rapidly, both in the number of cattle on feed and the number of large feedlots, says Mr. Uvacek. In 1958, there were 13 large feedlots in the Gulf Coast region; currently, there are 42 such feedlots located in that area.

While the number of large feedlots is increasing, the smaller operations are holding fairly stable in the numbers of cattle and calves fed, reports the specialist.

Ag Scientist Pioneers Light Study

J. W. Stansel, an Agronomist at Texas A&M University's Rice Pasture Research and Extension Center at Beaumont, has pioneered the study of light as an element of commercial crop production. In 1961, Mr. Stansel began studying the effects of light on rice output.

As the problems of soil fertility and moisture control are solved, the effect of light on crop production will become more important, according to the agronomist. Thus far, he has learned that the combination of the cloudy Gulf Coast conditions and heavy nitrogen fertilization can sometimes reduce yields of present varieties of rice.

The U. S. population on January 1, 1965, was 193.4 million, compared with 190.8 million a year earlier, reports the Census Bureau.