

NCCC-134

APPLIED COMMODITY PRICE ANALYSIS, FORECASTING AND MARKET RISK MANAGEMENT

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Suggested citation format:

Sartwelle, J. D., III, D. M. O'Brien, and W. Barker. 1997. "Producers' Preferences for Market Outlook Information." Proceedings of the NCR-134 Conference on Applied Commodity Price Analysis, Forecasting, and Market Risk Management. Chicago, IL. [<http://www.farmdoc.uiuc.edu/nccc134>].

Producers' Preferences for Market Outlook Information

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This study evaluates western Kansas grain and livestock producers' preferences for market outlook information and marketing education. Producers were surveyed as to the types and sources of market outlook information they preferred to incorporate into their individual market outlook and as to the frequencies with which they preferred to receive different types of information. Western Kansas farmers prefer to use several types of information from numerous sources to make farm marketing decisions. Results suggest private-sector and University Extension market analysts are relied upon by farmers to provide analysis of supply and demand fundamentals through mass media outlets and direct educational meetings.

With the arrival of the Federal Agricultural Improvement and Reform Act of 1996 (FAIR96), many economists predicted the volatility of commodity markets would increase as near-full planting flexibility was granted to U.S. farmers. Looking back on year one of FAIR96, that prediction seems solid. Planted acres have shifted more among alternative crops in the past year than any other in recent memory. As acres shift from crop to crop and as end-users and processors attempt to bid acres into particular crops, market price volatility increases. This increasing volatility has a significant impact on the profitability of the livestock sector beyond crop producers.

Farmers and ranchers find themselves producing and marketing their raw commodities in a rapidly changing marketplace. Many producers in Kansas are either beginning price risk management programs for the first time or increasing the sophistication of existing programs. The key component, after accurate production cost information, of a marketing program is developing an individual price forecast. Different producers prefer different types and sources of information to develop their own market outlook.

Several market outlook information services are available to help producers develop their individual market outlooks and price forecasts. These outlets include futures markets, private marketing services, and University Extension educational programs. Those providing public and private agricultural commodity marketing education programs need to know how farmers value alternative types and sources of market outlook and price information. That

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assessment should yield meaningful educational efforts that could assist producers in making effective buy/sell decisions in what is expected to be an increasingly risky market environment.

Private marketing services, futures markets, and University Extension have historically provided market outlook information to producers at little or no cost. Recent self-examination within our discipline has yielded discussion on what Extension's focus should be with respect to commodity marketing. The information needs of the end client of land grant research and extension, the agricultural producer, should be of primary importance in the debate.

Assessing Producers' Market Information Preferences

A survey instrument was designed to gauge grain and livestock producers' preferences for market outlook information. Stated briefly, producers were asked to respond to four questions: 1) which types of information do they prefer to use in making marketing decisions, 2) which sources of farm market information do they prefer to use in formulating marketing strategy, 3) how frequently do they prefer to use different types of farm market information, and 4) were they primarily interested in the marketing of grain, livestock, or both? The market information survey instrument was developed by Kansas State University (KSU) Extension agricultural economists with the guidance of evaluation experts from KSU, the University of Minnesota, and the University of Wisconsin. The survey was approved by the KSU Committee on Research Involving Human Subjects.

Western Kansas crop and livestock producers were surveyed about their market information preferences in three different manners in early 1997. First, producers attending Extension grain and livestock market outlook meetings in western Kansas received the survey instrument to take home, fill out, and return at their volition. Second, KSU agricultural economists mailed surveys directly to 50 producers from a pool of names provided by county agricultural agents in western Kansas. Third, 125 surveys were mailed to western Kansas producers selected at random from county atlases. All producers were provided a postage-paid envelope to return their surveys.

Sixty-one producers returned completed surveys. Fifty-three percent of respondents said they were primarily interested in grain market information, two percent were primarily interested in livestock market information, and 46 percent were interested in grain and livestock market information. Analysis of data emphasized frequencies of preferences for marketing information by content, information source, and information frequency categories. Several aspects of the summarized responses hold interesting implications for public- and private-sector providers of commodity market information.

Producers' Preferences for Types of Market Outlook Information

Grain and livestock producers in western Kansas expressed definite preferences for the types of information they incorporate into their individual farm-level market outlooks and marketing plans. Table 1 summarizes the respondents' preferences for types of information. More than two-thirds of the respondents placed medium or high preference on cash and forward contract prices, futures prices, forecasts by market experts, and supply and demand fundamentals. A few more than half the farmers surveyed indicated medium or high preferences for futures price charts. More than half of the respondents placed zero or low preferences on buy/sell recommendations and the opinions of other farmers.

Analysis of survey responses when sorted by producers who placed medium or high preferences on particular information categories yielded some interesting results. Western Kansas producers indicated they did not rely solely on one type of information or another. Rather, results suggest cross-over demand for types of information. That is, most individual respondents placed medium or high preferences on multiple market information types. The eclectic individual market outlooks suggested by these results agree with field observation.

Farmers' Preferences for Frequencies of Receiving Market Information

Agricultural producers have access to a vast amount of information and limited time to process that material. As time is the ultimate scarce resource, it made sense not only to ask producers about which types and sources of marketing information they preferred to use, but also to gauge the frequencies with which they preferred to receive different types of information. Survey results are summarized in table 2.

Although the majority of Kansas farmers market their crop production three times a year or fewer (Goodwin and Kastens), survey respondents overall preferred to receive several types of market outlook information from various sources with varying preferences for receiving information. On the surface, the responses to this section of the survey are straightforward. Producers preferred updates the most often (on a daily or up-to-the-minute basis) on the types of information that change the most frequently (futures prices and cash/forward contract prices). Conversely, producers preferred to receive less frequent updates on other types of information that typically change less frequently (expert forecasts, supply/demand fundamentals, and buy/sell recommendations). When survey responses are separated among types of information to which respondents attach a medium or high preference, however, frequency preferences can vary.

More than three-fourths of producers who placed a medium or high preference on futures prices in developing their on-farm marketing plans indicate a high preference for receiving daily or current updates on futures prices. However, these producers also prefer access to a great deal of other information. More than fifty percent of respondents who placed

medium or high preference on futures prices preferred weekly, daily, or up-to-the-minute information on supply/demand fundamentals, cash/forward contract prices, experts' forecasts, and buy/sell recommendations. This pattern followed among the other individually-analyzed information-preference categories.

Producers' Preferences for Sources of Market Information

Many sources exist for market information. Mass media outlets, subscription-based private outlook services, Extension newsletters, and coffee shop ruminations are just a few of the ways farmers access price information and market outlook/opinion. This survey revealed some interesting information about how much preference farmers in western Kansas place on 17 different sources identified in the survey instrument. Results are reported in table 3.

Considerable amounts of market information and opinion are available to producers through the public media. Given the on-the-go lifestyle of today's farmers, the high preference for receiving market information from radio, television and farm publications is not surprising. Radio reports enable producers to access market information from their pickup truck, tractor, or combine. Television commodity market reports and in-depth market analysis (e.g., PBS' *Market to Market*) hold appeal to more than half the producers surveyed. These results agreed with a 1990 survey of Ohio commercial farmers (Batte, Schnitkey, and Jones). More than one-quarter of Ohio producers surveyed ranked radio and television as the most valuable source of information for marketing decisions. The high preference for farm publications as a source of information confirmed prior expectations given the large circulations of many leading magazines and the fact that many well-known publications are available to farmers at no cost. Again, this agreed with the Ohio farmers' valuations of general and specialized farm magazines as market information sources.

Satellite-based information networks are popular among many farmers in western Kansas. DTN, FarmDayta, and other private companies provide market, weather, and news information to subscribers for a fee. It is logically consistent that the vast majority of farmers who bore the cost of these services placed a medium or high preference on this source of information. When asked about obtaining market information from the Internet, however, more than 80 percent of those surveyed said they did not use it at all. Several respondents wrote they would like to use the Internet for market outlook development, but the telephone line costs were prohibitive.

Marketing newsletters, whether authored by private concerns (Doane's, ProFarmer, Brock, or others) or University Extension, were not highly-preferred sources of information as fewer than one-half of the farmers surveyed placed a medium or high preference on them. However, when only considering the respondents who expressed medium or high preferences for supply and demand fundamentals, cash and forward contract prices, futures price charts, and price forecasts of marketing experts, these sources of information were rated medium or

high preference by more than half the respondents.

Public educational meetings on the topics of market outlook and marketing strategies have long been a focus of private commodity marketing firms and University Extension economists. This survey revealed mixed preferences among grain and livestock producers as to the provider of marketing workshops/meetings. More than one-half of the western Kansas farmers who returned this survey instrument expressed medium or high preferences for KSU Extension marketing meetings, but more than two-thirds of the same group showed zero or low preference for private commodity firm marketing meetings or workshops.

When asked about which human resources farmers in western Kansas prefer to visit with about market information, survey respondents overwhelmingly placed medium or high preference on grain elevator managers and staff. This preference held true for respondents overall and those included in the more narrow interest groups in particular. Livestock feed buyers, sale barn managers, livestock order buyers/packer buyers, and commodity brokers garnered zero or no preference as face-to-face sources of marketing information. The same held true of farm marketing clubs and other informed farmers.

Implications for Agricultural Economists

These survey results provide insight into the information needs of University Extension's producer clientele in western Kansas and perhaps beyond. The oft-discussed information revolution appears to have struck the farmers and ranchers of this largely rural area. The adjustments these producers have made to their marketing/risk management plans in response have serious implications for educators. Survey results reveal eclectic grain and livestock marketers in western Kansas. Their reluctance to depend on one type of information in developing individual market outlooks could provide direction to private- and public-sector economists in providing educational programming to a pragmatic farming populace.

With respect to the types of information preferred by farmers in western Kansas, most producers prefer to incorporate several types of information into their individual market outlook. More than two-thirds placed medium or high preference on futures prices, supply/demand fundamentals, cash/forward contract prices, and price forecasts by marketing experts. This would suggest western Kansas grain and livestock producers do not rely on one type of market information to form their individual market outlooks and marketing plans. Farmers' preferences for different types of market information hold implications for agricultural economists. Futures prices and cash/forward contract prices typically are available from private sources for little or no cost. There appears to be a demand for University Extension personnel and private-sector economists to disseminate information on supply/demand fundamentals and develop and distribute market outlooks and forecasts based on the analysis of that information.

Convenience appears to drive many farmers' preferences for sources of market information. The high preference expressed for radio and farm publications suggest producers want regular access to market information that can be accessed readily. The low level of Internet use among the respondents indicates using this media for a primary avenue of information distribution might be premature. A little more than half of those surveyed placed zero or low preference on marketing newsletters, whether public or private. Agricultural economists may want to invest more time in mass media information delivery.

University Extension grain and livestock marketing specialists have long offered market outlook workshops and meetings as part of their educational programs. More than half of the survey respondents expressed medium or high preferences for these educational programs, while more than two-thirds of the same group showed zero or no preference for educational programs conducted by private commodity firms. This suggests agricultural producers in western Kansas prefer to turn to University Extension for market outlook information and marketing education. This preference could be due to Extension's reputation for providing unbiased, research-based information to producers. This could show that allocating Extension specialists' time to public market outlook and education meetings would be met favorably by agricultural producers in western Kansas.

In accordance with its land grant charge, University Extension serves as an information conduit, communicating research-based information from University faculty to Extension cooperators and relating research and information needs from cooperators to University faculty. The authors strongly encourage similar marketing information needs assessment surveys be conducted in other states and regions to assure land-grant research and University Extension marketing information efforts are indeed client-driven.

References

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Table 1. Western Kansas Producers' Preferences for Types of Market Outlook Information

	Preference for Type of Information			
	Do Not Use	Low	Medium	High
Futures Prices	13*	13	28	46
Supply/Demand Fundamentals	11	20	39	30
Charts of Futures Prices	23	25	31	21
Cash and Forward Contract Prices	16	5	28	51
Price Forecasts by Marketing Experts	8	23	57	12
Buy/Sell Strategy Recommendations	28	29	36	7
Opinions of Other Farmers	18	51	26	5

* Preferences are expressed as a percent of 61 survey responses.

Table 2. Western Kansas Producers' Preferences for Frequencies of Receiving Market Outlook Information

	Don't Use	Seasonally	Monthly	Current	Daily	Weekly
Futures Prices	16*	12	5	8	48	12
Supply/Demand Fundamentals	15	16	30	30	5	5
Charts of Futures Prices	25	18	21	23	13	0
Cash and Forward Contract Prices	15	8	7	34	34	2
Price Forecasts by Marketing Experts	5	7	15	30	36	8
Buy/Sell Strategy Recommendations	30	15	16	36	3	0
Opinions of Other Farmers	28	28	16	20	7	2

* Preferences are expressed as a percent of 61 survey responses.

Table 3. Western Kansas Producers' Preferences for Sources of Market Outlook Information

	<u>Preference for Source of Information</u>			
	Do Not Use	Low	Medium	High
A. Public Media				
Newspapers	24*	30	30	16
Radio	13	16	26	44
Television	18	23	30	30
Farm Publications	13	12	48	28
B. Electronic Market Information				
Satellite Information Services	48	8	18	26
Internet Farm Market Information	82	8	7	3
C. Marketing Newsletters				
University Extension	33	23	34	10
Private Analysts	38	18	28	16
D. Workshops/Marketing Meetings				
KSU Extension Meetings	21	26	38	15
Private Commodity Firm Meetings	38	30	25	6
E. Area Agribusiness Industry Contacts				
Grain Elevator Managers/Staff	10	25	44	21
Livestock Feed Buyers	53	21	20	7
Sale Barn Managers	57	23	13	7
Livestock Order Buyers/				
Packer Buyers	57	16	18	8
Commodity Brokers	39	36	18	7
F. Other Sources of Market Information				
Farm Marketing Clubs	89	8	2	2
Other Informed Farmers	44	33	20	3

* Preferences are expressed as a percent of 61 survey responses.