

Appendix A: Survey Instrument for DTN Premium Service Subscribers

Case ID # _____
Study # <u>835-A</u>

THE ROLE OF MARKET ADVISORY SERVICES IN GRAIN MARKETING AND RISK MANAGEMENT

**Department of Agricultural and Consumer Economics
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Please circle one response for each question unless you are asked to check or circle all that apply.

1. Did you grow any of the following crops under a production contract in 1999?

	<u>Yes</u>	<u>No</u>
a. Corn.....	1	2
b. Cotton.....	1	2
c. Soybeans.....	1	2
d. Wheat.....	1	2

2. Which forward pricing techniques have you used for your crops before and after harvest in the last 2 years? Please circle all that apply. (For an explanation of terms, please see the glossary at the end of this questionnaire.)

	<u>Before harvest</u>	<u>After harvest</u>
a. Cash forward contracts.....	1	1
b. Hedge using futures.....	2	2
c. Buy a put option.....	3	3
d. Hedge-to-arrive contract.....	4	4
e. Minimum price contract.....	5	5
f. Basis contract.....	6	6

3a. During the past two years, have you purchased crop insurance?

Yes..... 1

No..... 2→(SKIP TO Q.4)

b. What type of crop insurance have you used for your crops in the last 2 years?

	<u>Yes</u>	<u>No</u>
1) Catastrophic (CAT) coverage (50% yield coverage and 60% price coverage).....	1	2
2) Crop Revenue Coverage (CRC)	1	2
3) Income Protection (IP)	1	2
4) Revenue Assurance (RA)	1	2
5) Group Risk Plan (GRP) area yield insurance	1	2
6) Only hail insurance purchased.....	1	2

4. How many times during the marketing year do you typically price a part of the crops you produce?

	<u>Once</u>	<u>2-5 times</u>	<u>6-10 times</u>	<u>11 or more times</u>	<u>Check if do not produce</u>
a. Corn	1	2	3	4	_____
b. Cotton	1	2	3	4	_____
c. Soybeans	1	2	3	4	_____
d. Wheat	1	2	3	4	_____

5. On a scale of 1 to 9, where 1 is not at all risky and 9 is very risky, how do you rate the following prices and costs in terms of financial risk they pose to your farm income?

	<u>Not at all risky</u>							<u>Very risky</u>	<u>Do not produce</u>	
a. Corn price.....	1	2	3	4	5	6	7	8	9	10
b. Cotton price.....	1	2	3	4	5	6	7	8	9	10
c. Soybeans price	1	2	3	4	5	6	7	8	9	10
d. Wheat price	1	2	3	4	5	6	7	8	9	10
e. Input (feed, seed, fuel) ...	1	2	3	4	5	6	7	8	9	10
f. Capital (interest rate).....	1	2	3	4	5	6	7	8	9	10

6. On a scale of 1 to 9, where 1 is strongly disagree and 9 is strongly agree, to what extent do you agree or disagree with the statement, "I usually like playing it safe" for each of the markets listed below?

		<u>Strongly disagree</u>						<u>Strongly agree</u>	<u>Do not produce</u>	
a. Corn	1	2	3	4	5	6	7	8	9	10
b. Cotton.....	1	2	3	4	5	6	7	8	9	10
c. Soybeans	1	2	3	4	5	6	7	8	9	10
d. Wheat.....	1	2	3	4	5	6	7	8	9	10
e. Input (feed, seed, fuel)	1	2	3	4	5	6	7	8	9	10
f. Capital (interest rate).....	1	2	3	4	5	6	7	8	9	10

7. On a scale from 1 to 9, where 1 is strongly disagree and 9 is strongly agree, to what extent do you agree or disagree with the following statements?

		<u>Strongly disagree</u>						<u>Strongly agree</u>	
a. Fluctuating prices expose me to risk	1	2	3	4	5	6	7	8	9
b. Fluctuating yields expose me to risk	1	2	3	4	5	6	7	8	9
c. The possibility of prices falling below my cost of production exposes me to risk	1	2	3	4	5	6	7	8	9
d. The possibility of yields falling below my breakeven yield exposes me to risk	1	2	3	4	5	6	7	8	9

8. How often do you follow cash or futures market prices (in newspapers, radio, satellite delivered systems, etc.)?

- Several times a day.....1
- Once a day.....2
- Once to several times a week3
- Once to several times a month4
- Never5

9. On a scale from 1 to 9, where 1 is strongly disagree and 9 is strongly agree, to what extent do you agree or disagree with the following statements?

	Strongly								Strongly	
	<u>disagree</u>									<u>agree</u>
a. I think it is important to understand the wishes of the end-users of my crops	1	2	3	4	5	6	7	8	9	
b. I think it is important to know how my end-users evaluate my product	1	2	3	4	5	6	7	8	9	
c. I adapt to changes in the market	1	2	3	4	5	6	7	8	9	
d. I track the market prices of the products I produce	1	2	3	4	5	6	7	8	9	
e. I like "playing it safe"	1	2	3	4	5	6	7	8	9	
f. With respect to the conduct of business, I dislike risk	1	2	3	4	5	6	7	8	9	
g. With respect to the conduct of business, I prefer certainty over uncertainty.....	1	2	3	4	5	6	7	8	9	
h. I am willing to take higher financial risks in order to realize higher average yields	1	2	3	4	5	6	7	8	9	
i. I like taking big financial risks	1	2	3	4	5	6	7	8	9	
j. I am willing to take higher financial risks when selling my crops, in order to realize higher average returns	1	2	3	4	5	6	7	8	9	
k. I like taking risks when selling crops.....	1	2	3	4	5	6	7	8	9	
l. I accept more risk in my farm business than other farmers	1	2	3	4	5	6	7	8	9	

10. On a scale from 1 to 9, where 1 is not at all risky and 9 is very risky, how risky do you consider the following?

	Not at all								Very	
	<u>risky</u>									<u>risky</u>
a. Selling my crops.....	1	2	3	4	5	6	7	8	9	
b. Crop prices	1	2	3	4	5	6	7	8	9	
c. The fluctuations in my farm income.....	1	2	3	4	5	6	7	8	9	

11. On a scale from 1 to 9, where 1 is strongly disagree and 9 is strongly agree, to what extent do you agree or disagree with the following statements?

	<u>Strongly disagree</u>							<u>Strongly agree</u>	
a. Crop prices show large fluctuations	1	2	3	4	5	6	7	8	9
b. My revenues from crops show large fluctuations	1	2	3	4	5	6	7	8	9
c. My total farm revenues show large fluctuations	1	2	3	4	5	6	7	8	9

12. On a scale from 1 to 9, where 1 is very small and 9 is very large, how small or large do you consider the following risks?

	<u>Very small</u>							<u>Very large</u>	
a. When selling crops, the price risk is.....	1	2	3	4	5	6	7	8	9
b. My yield risk is.....	1	2	3	4	5	6	7	8	9
c. My income risk is.....	1	2	3	4	5	6	7	8	9

13. How much do you rely on the following sources of market information?

	<u>Do not rely on</u>							<u>Rely heavily on</u>	
a. Extension Service/University	1	2	3	4	5	6	7	8	9
b. Farm magazines/newsletters.....	1	2	3	4	5	6	7	8	9
c. Market advisory services	1	2	3	4	5	6	7	8	9
d. Satellite delivered systems (DTN)	1	2	3	4	5	6	7	8	9
e. Marketing clubs	1	2	3	4	5	6	7	8	9
f. USDA reports.....	1	2	3	4	5	6	7	8	9
g. Local elevator	1	2	3	4	5	6	7	8	9
h. Internet.....	1	2	3	4	5	6	7	8	9
i. Television.....	1	2	3	4	5	6	7	8	9
j. Radio	1	2	3	4	5	6	7	8	9

14. Have you ever used any of the market advisory services listed below?

	<u>Yes</u>	<u>No</u>
a. AgLine by Doane.....	1	2
b. Agri-Visor.....	1	2
c. Brock.....	1	2
d. Freese-Notis.....	1	2
e. Pro Farmer.....	1	2
f. Ag Resource.....	1	2
g. Allendale.....	1	2
h. Commstock Investments.....	1	2
i. Harris-Elliott.....	1	2
j. Stewart-Peterson.....	1	2
k. Another market advisory service.....	1	2
l. Do not use market advisory services at all.....	1	2

15. How familiar are you with each of the listed market advisory services? Note that some satellite delivered systems refer to market advisory services as premium services. Please circle a number from 1 (not at all familiar) to 9 (very familiar) for each advisory service.

	<u>Not at all familiar</u>							<u>Very familiar</u>	
a. Ag Resource.....	1	2	3	4	5	6	7	8	9
b. AgLine by Doane.....	1	2	3	4	5	6	7	8	9
c. Agri-Visor.....	1	2	3	4	5	6	7	8	9
d. Allendale.....	1	2	3	4	5	6	7	8	9
e. Brock.....	1	2	3	4	5	6	7	8	9
f. Commstock Investments.....	1	2	3	4	5	6	7	8	9
g. Freese-Notis.....	1	2	3	4	5	6	7	8	9
h. Harris-Elliott.....	1	2	3	4	5	6	7	8	9
i. Pro Farmer.....	1	2	3	4	5	6	7	8	9
j. Stewart Peterson Advisory Reports....	1	2	3	4	5	6	7	8	9
k. Stewart-Peterson Strictly Cash.....	1	2	3	4	5	6	7	8	9

16. How often have you switched market advisory services?

- Several times a year..... 1
- Twice a year 2
- Once a year..... 3
- Once in two years 4
- Once in three years 5
- Once in four years 6
- Once in five years..... 7
- Once in 10 years 8
- Until now I have never switched..... 9

17. To what extent do you use market advisory services for the reasons listed below? Please circle a number from 1 (never use) to 9 (use extensively).

	<u>Never use</u>								<u>Use extensively</u>
a. Keeping up with markets	1	2	3	4	5	6	7	8	9
b. Price information	1	2	3	4	5	6	7	8	9
c. Marketing information (facts).....	1	2	3	4	5	6	7	8	9
d. Weather forecasts.....	1	2	3	4	5	6	7	8	9
e. Market analysis	1	2	3	4	5	6	7	8	9
f. General market strategies.....	1	2	3	4	5	6	7	8	9
g. Making specific pricing decisions.....	1	2	3	4	5	6	7	8	9
h. Government program information	1	2	3	4	5	6	7	8	9
i. Expert opinion.....	1	2	3	4	5	6	7	8	9
j. Forecasting prices	1	2	3	4	5	6	7	8	9
k. To receive a higher price than the average price	1	2	3	4	5	6	7	8	9
l. To beat the market	1	2	3	4	5	6	7	8	9
m. To reduce fluctuations in the prices I receive	1	2	3	4	5	6	7	8	9
n. To reduce income risk.....	1	2	3	4	5	6	7	8	9
o. To reduce price risk	1	2	3	4	5	6	7	8	9

18. How great is the impact of market advisory recommendations on your pricing decisions? Please circle a number from 1 (no impact at all) to 9 (great impact).

<u>No impact at all</u>									<u>Great impact</u>
1	2	3	4	5	6	7	8	9	

19. How do you use the specific pricing recommendation that the market advisory services provide you? Please circle all that apply.

- As background information.....1
- I use the information to compare with other information sources.....2
- I follow the recommendations loosely (I adapt them to my own marketing plan).....3
- I follow the recommendations very closely.....4

20. We would like to gain insight into the ways you are using specific pricing recommendations of market advisory services. The next question is designed for this purpose.

How would you implement the following types of pricing recommendations of a market advisory service? (For an explanation of terms, please see the glossary at the end of this questionnaire.)

	<u>Would not implement at all</u>	<u>Implement exactly</u>
<u>Pre-harvest</u>		
a. Cash forward contracts.....1	2	3 4 5 6 7 8 9
b. Sell futures.....1	2	3 4 5 6 7 8 9
c. Buy put options.....1	2	3 4 5 6 7 8 9
d. Buy call options.....1	2	3 4 5 6 7 8 9
e. Buy futures1	2	3 4 5 6 7 8 9
<u>Post-harvest</u>		
f. Sell in cash market.....1	2	3 4 5 6 7 8 9
g. Sell futures.....1	2	3 4 5 6 7 8 9
h. Buy put options.....1	2	3 4 5 6 7 8 9
i. Buy call options.....1	2	3 4 5 6 7 8 9
j. Buy futures1	2	3 4 5 6 7 8 9

21. Is a market advisory service a tool to reduce risk?

<u>Not at all</u>									<u>Certainly</u>
1	2	3	4	5	6	7	8	9	

22. Is a market advisory service a tool to receive a higher than average price?

<u>Not at all</u>									<u>Certainly</u>
1	2	3	4	5	6	7	8	9	

23. How do you perceive the market advisory services' marketing style? Please circle a number from 1 (conservative) to 9 (aggressive) to indicate their marketing style.

	<u>Conservative</u>							<u>Aggressive</u>	<u>Don't know</u>	
a. Ag Resource	1	2	3	4	5	6	7	8	9	10
b. AgLine by Doane	1	2	3	4	5	6	7	8	9	10
c. Agri-Visor	1	2	3	4	5	6	7	8	9	10
d. Allendale	1	2	3	4	5	6	7	8	9	10
e. Brock	1	2	3	4	5	6	7	8	9	10
f. CommStock Investments.....	1	2	3	4	5	6	7	8	9	10
g. Freese-Notis.....	1	2	3	4	5	6	7	8	9	10
h. Harris-Elliott.....	1	2	3	4	5	6	7	8	9	10
i. Pro Farmer.....	1	2	3	4	5	6	7	8	9	10
j. Stewart-Peterson Advisory Reports.....	1	2	3	4	5	6	7	8	9	10
k. Stewart-Peterson Strictly Cash.....	1	2	3	4	5	6	7	8	9	10

24. On a scale from 1 (very dissatisfied) to 9 (very satisfied), how dissatisfied or satisfied are you with the following market advisory services that you purchase? If you do not subscribe, circle 10.

	<u>Very dissatisfied</u>							<u>Very satisfied</u>	<u>Don't subscribe</u>	
a. Ag Resource	1	2	3	4	5	6	7	8	9	10
b. AgLine by Doane	1	2	3	4	5	6	7	8	9	10
c. Agri-Visor.....	1	2	3	4	5	6	7	8	9	10
d. Allendale	1	2	3	4	5	6	7	8	9	10
e. Brock	1	2	3	4	5	6	7	8	9	10
f. CommStock Investments	1	2	3	4	5	6	7	8	9	10
g. Freese-Notis	1	2	3	4	5	6	7	8	9	10
h. Harris-Elliott.....	1	2	3	4	5	6	7	8	9	10
i. Pro Farmer.....	1	2	3	4	5	6	7	8	9	10
j. Stewart-Peterson Advisory Reports.....	1	2	3	4	5	6	7	8	9	10
k. Stewart-Peterson Strictly Cash.....	1	2	3	4	5	6	7	8	9	10

25. On a scale from 1 (very unpleasant) to 9 (very pleasant), how unpleasant or pleasant is using market advisory services?

<u>Very unpleasant</u>									<u>Very pleasant</u>
1	2	3	4	5	6	7	8	9	

26. On a scale from 1 (frustrated) to 9 (content), how frustrated or content does the use of the market advisory services make you feel?

<u>Frustrated</u>									<u>Content</u>
1	2	3	4	5	6	7	8	9	

27. On a scale from 1 (do not value at all) to 9 (value extremely), how much do you value the following aspects of the market advisory services?

	<u>Do not value value at all</u>								<u>Value extremely</u>
	1	2	3	4	5	6	7	8	9
a. Use of technical analysis.....	1	2	3	4	5	6	7	8	9
b. Use of fundamental analysis	1	2	3	4	5	6	7	8	9
c. Analysis based on the knowledge of one person	1	2	3	4	5	6	7	8	9
d. Analysis based on a group consensus.....	1	2	3	4	5	6	7	8	9
e. Recommendations use only cash	1	2	3	4	5	6	7	8	9
f. Recommendations include futures and options.....	1	2	3	4	5	6	7	8	9
g. Low frequency of use of futures and options.....	1	2	3	4	5	6	7	8	9
h. High frequency of use of futures and options strategies.....	1	2	3	4	5	6	7	8	9
i. Presentation mainly with charts	1	2	3	4	5	6	7	8	9
j. Presentation mainly with text.....	1	2	3	4	5	6	7	8	9
k. Daily updates of recommendations.....	1	2	3	4	5	6	7	8	9
l. Specialist regarding particular crops....	1	2	3	4	5	6	7	8	9
m. Market advisory service is also broker.....	1	2	3	4	5	6	7	8	9
n. Consistent recommendations	1	2	3	4	5	6	7	8	9
o. Recommendations focused on your farm operation circumstances.....	1	2	3	4	5	6	7	8	9
p. High quality information.....	1	2	3	4	5	6	7	8	9
q. The fact that the market advisory service tries to establish a relationship with you.....	1	2	3	4	5	6	7	8	9

28. What is the probability (or chance) of your using a market advisory service in the situations listed below? Please circle a number from 1 (certainly not use) to 9 (certainly use).

	<u>Certainly not use</u>								<u>Certainly use</u>
a. Market advisory service matches your market philosophy	1	2	3	4	5	6	7	8	9
b. Market advisory service does not match your philosophy	1	2	3	4	5	6	7	8	9
c. Market advisory service matches your market philosophy but has recently shown a weak performance regarding the realized crop price	1	2	3	4	5	6	7	8	9
d. Market advisory service matches your market philosophy and has recently shown a strong performance regarding the realized crop price	1	2	3	4	5	6	7	8	9
e. Market advisory service does not match your market philosophy and has recently shown a weak performance regarding the realized crop price	1	2	3	4	5	6	7	8	9
f. Market advisory service does not match your market philosophy and has recently shown a strong performance regarding the realized crop price	1	2	3	4	5	6	7	8	9
g. Market advisory service matches your market philosophy but has recently shown a weak performance regarding risk reduction	1	2	3	4	5	6	7	8	9
h. Market advisory service matches your market philosophy and has recently shown a strong performance regarding risk reduction	1	2	3	4	5	6	7	8	9
i. Market advisory service does not match your market philosophy and has recently shown a weak performance regarding risk reduction	1	2	3	4	5	6	7	8	9
j. Market advisory service does not match your market philosophy and has recently shown a strong performance regarding risk reduction	1	2	3	4	5	6	7	8	9

29. On a scale from 1 (strongly disagree) to 9 (strongly agree), to what extent do you disagree or agree that market advisory services are expensive?

<u>Strongly disagree</u>									<u>Strongly agree</u>
1	2	3	4	5	6	7	8	9	

30. Please divide 100 points between buying market advisory services and not buying them to indicate the probability of your subscribing to market advisory services with different crop prices. The higher the probability of using market advisory services, the more points you allocate. The total points allocated should equal 100.

	a.	b.	c.
	High crop prices	Normal crop prices	Low crop prices
	Corn \$3.00/bushel	Corn \$2.50/bushel	Corn \$2.00/bushel
	Wheat \$4.00/bushel	Wheat \$3.25/bushel	Wheat \$2.50/bushel
	Soybeans \$7.50/bushel	Soybeans \$6.25/bushel	Soybeans \$5.00/bushel
	Cotton \$.85/lb.	Cotton \$.70/lb.	Cotton \$.55/lb.
Buy market advisory services.....	_____	_____	_____
Do not buy market advisory services	_____	_____	_____
Total points.....	100	100	100

31. Do you hire someone to market any or all of your crops?

Yes.....1
 No.....2

THANK YOU VERY MUCH FOR YOUR COOPERATION!

Please return your completed questionnaire in the enclosed self-addressed postage-paid envelope to:

The University of Illinois
 Survey Research Laboratory (M/C 336)
 Box 6905
 Chicago, IL 60680

GLOSSARY

Cash forward contracts – A contract between the farmer and buyer which establishes the price, location, and time of delivery for grain to be delivered at a later date. The contract may be made before or after harvest.

Hedging using futures – The practice of offsetting the price risk inherent in any cash market position by taking an equal but opposite position in the futures market.

Buy a put option - An option to sell a specified amount of a crop at an agreed price and time at any time until the expiration of the option. A put option is purchased to protect against a fall in price.

Buy a call option - An option to buy a specified amount of a crop at an agreed price and time at any time until the expiration of the option. A call option is purchased to protect against a rise in price.

Hedge-to-arrive contract – Hedge-to-arrive contracts specify the time of delivery and the futures price on which the farmer's price will be based. The futures price is the current price of the appropriate futures contract and is established at the time of the contract. The farmer then chooses the day before expiration of the contract on which to establish the basis portion of the price.

Minimum price contract – Minimum price is offered to a farmer through a cash contract. If prices go up, the option is allowed to expire and the buyer pays a higher price. If prices go down, the buyer pays the minimum price agreed in the contract.

Basis contract – Under a basis contract, the farmer and the buyer agree that the price paid to the farmer will be the price of a specified futures contract on the day of the farmer's choosing, minus the basis that existed at the time of the contract.