

Appendix B: Survey Instrument for DTN Premium Service Non-Subscribers

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

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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

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

<u>Crop</u>	<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?

	<u>Strongly disagree</u>								<u>Strongly 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?

	<u>Not at all risky</u>								<u>Very 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

16. 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</u>								<u>Very</u>
	<u>familiar</u>								<u>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

17. To what extent do you think you are able to increase your income with the help of market advisory services? Please circle a number from 1 (not at all) to 9 (definitely).

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

18. To what extent do you think you are able to reduce your risk with the help of market advisory services? Please circle a number from 1 (not at all) to 9 (definitely).

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

19. On a scale from 1 (very dissatisfied) to 9 (very satisfied), how dissatisfied or satisfied are you with satellite delivered systems?

<u>Very</u>									<u>Very</u>
<u>dissatisfied</u>									<u>satisfied</u>
1	2	3	4	5	6	7	8	9	

20. 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

21. 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

22. 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

23. 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.