

PRODUCERS' ATTITUDES ABOUT FUTURES AND OPTIONS

Compared with cash-oriented pricing tools, use of exchange-traded futures and options is comparatively low. One-quarter of respondents indicate they use futures contracts, 27 percent put options purchases and 18 percent use other options strategies at least occasionally. Considering that some people may use more than one of these, the percent of total producers is even lower.

Respondents were asked to indicate their level of agreement with statements based on whether they use futures or options. The survey indicates that about a fourth of producers who don't use futures and a third who don't use options feel they don't understand them well enough.

Of those who *don't* use futures, the potential for margin calls was by far the most common reason.

Attitudes About Futures Contracts Among Those Who Don't Use Futures Contracts

I don't want to pay margin calls. **60%**

I don't understand futures well enough to use them. **26%**

Futures markets are too risky. **25%**

Percent who mostly agree or completely agree

When the 159 producers who *do* use futures were asked to indicate their level of agreement with the three statements shown below, 40 percent or more indicated they *mostly* or *completely agree* with each statement.

Attitudes About Futures Contracts Among Those Who Use Futures Contracts

Futures hedges reduce my price risk within a crop year. **50%**

Futures hedges improve the price I get for my crop. **50%**

Futures hedges reduce my price risk across crop years. **40%**

Percent who mostly agree or completely agree

Of those who *don't* use options, a third *mostly* or *completely agree* that they don't understand options well enough to use them effectively.

Attitudes About Options Among Those Who Don't Use Options

I don't understand options well enough to use them effectively. **33%**

Options are too expensive. **23%**

Percent who mostly agree or completely agree

The 206 producers who use options were asked how much they agree with the statements shown below. More than half indicate they recognize options as a form of insurance.

Attitudes About Options Among Those Who Use Options

Options cost me money but provide insurance. **52%**

Options reduce my risk within the crop year. **46%**

Options improve the price I get for my crop. **24%**

Percent who mostly agree or completely agree