

UNIVERSITY OF MARYLAND

Introduction to Fundamental Analysis

Probably one of the most difficult decisions for farmers is knowing *when* to price their com. Certainly, comparing current forward prices to your cost of production is an important con making a pricing decision. If the market offers you the opportunity to lock-in a price well a break-even level, then this is certainly an opportunity that shouldn't be passed on. However this is not the case and whether you decide to forward price or not is usually a guessing gar situations, it is important to understand the market environment. Is the market over-priced under-priced? Are there supply or demand factors that could change the market outlook dr:

The purpose of fundamental analysis is to develop realistic price projections based on curre supply and demand levels. Analysis of fundamental supply and demand information does no sophisticated and it does not have to be capable of generating highly accurate estimates of f to be effective for farmers. What is needed is the capacity to anticipate the direction of pric to formulate an impression of the likely price range. Furthermore, it is important that farme anticipate, with a useful degree of accuracy, the direction and magnitude of the price respo "shock" of information on supply and demand. This chapter discusses some of the basic fun analysis techniques which can be utilized in forecasting grain prices.



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