

# Farmer's Corner



March/April 2013

Number 2

## 1, 2, 3, Profit

Spring is here. A new crop is in the ground or at least you are working on planting. The crop insurance prices are established, USDA is making acreage projections, wheat crop conditions are updated. The New Year has started. Are we SPRINGING into Action with our marketing plans or looking for a reason to wait?

This spring looks to be another interesting one for grain marketers. There are a lot of analysts and economists filling the Internet with plenty of "news" and numbers.

What numbers are you watching? One farmer said fearfully *"It scares me how much money I have stuck into pre-paid inputs."*

Which numbers do you focus on to be successful? That is a powerful question and has three parts:

1. Numbers
2. Focus
3. Success

### Your Number = Your Profit

There is so much volatility in commodity prices, and so many distractions created as a result, that the only way to get to a place where you are confident taking action is to get back to one simple number - desired Profit! Profit is influenced by all the variables of inputs and prices. Everybody's number is different and therefore the price that grain is sold will be different.

Here are some great things to consider when trying to arrive at a desired PROFIT number:

- A. What kind of return do I want the farm to have?
- B. How much do I want to pay myself?
- C. How many bushels per acre would need to be sold at the current price to break even?
- D. What target price do I look for using my desired income and return on investment?

"Desired Profit" is a goal, a decision and a plan all rolled into one number. It has to be realistic to be effective but it is powerful.

## Focus - distractions reduced effectiveness

The best way to focus is to use Target Orders. Simple Target Contracts remain an effective tool to use during market volatility. The reason for this is because they are based on good, sound business decisions. Once you have your profit goal and know what price you need to achieve it, all you have to do is enter your target order and let it do the work. It will instill the discipline you need in your marketing program for you and execute your goals as soon as they are available. The market can and will ebb and flow after your target is reached, but that cannot affect your goals or distract from your discipline.

A good profit is a good profit no matter what happens later. Enter your target orders as early as possible to give them ample time to help you achieve your goals. If you haven't already entered them, today would be your earliest and best opportunity to enter them for this year.

TARGET CONTRACT	
I, _____	offer to sell
_____	the following:
_____ bushels of _____	at a price of \$ _____ /
per bushel.	
DELIVERED TO: _____	
DELIVERY PERIOD: _____	
<input type="checkbox"/> This offer is good until cancelled by producer.	
_____ (Producer)	Date _____
_____ (Elevator)	Date _____

**Dealing with “Higher”** . . . Have you ever sold at the absolute top of the market? If you have, or know someone that has, how is it typically described? Most refer to this as being really . . . Lucky! The reality is that, for most, this is a once in a lifetime event. It does not really make sense to have this as a goal. What does make sense is paying attention to profit.

In order to be that marketer who consistently is able to turn profits on the crops you grow, you must first accept the fact that the market may go higher at some point. Yes, that means the neighbor may even beat you and get a better price . . . this year. Taking a longer term view of achieving consistent profits, year after year, can put you in a better marketing place.

We should focus on the positive results of making good sales at “Profitable Levels” not “Price Levels.”

## Success Equals Action

An idea is only as good as its execution. You can have all the right goals, priorities, and focus in the world, but until you actually take action according to those principles, it is all for naught. Once you decide what profit you need to return on your farm, and what price is necessary this year to make that happen, you have to take action. Growing a crop with no plan for selling is not action, it is delaying the action of making a decision. Entering target contracts and selling grain when profit is available is the way to take decisive action in your grain marketing.

The majority of grain gets sold because there is a need for money or because of logistic reasons to move grain out to get ready for the next crop. Wouldn't a better reason for selling be that the price available would return a good profit to your business? This should be the only reason grain gets sold; because someone is taking decisive action on a profitable price.

Beware of pegging their future success on high priced grain without a plan to lock in profits. The best number to watch this spring is your profit.



Old ranch owner John farmed a small ranch in Montana. The Montana Wage and Hour Department claimed he was not paying proper wages to his workers and sent an agent out to interview him.

'I need a list of your employees and how much you pay them,' demanded the agent.

'Well,' replied old John, 'There's my ranch hand who's been with me for 3 years. I pay him \$600 a week plus free room and board. The cook has been here for 18 months, and I pay her \$500 a week plus free room and board. Then there's the half-wit who works about 18 hours every day and does about 90% of all the work around here. He makes about \$10 per week, pays his own room and board and I buy him a bottle of bourbon every Saturday night.'

'That's the guy I want to talk to, the half-wit,' says the agent.

'That would be me,' replied old rancher John.