Farmer's Corner

Maizeing Acres Inc.

The "3 for 1" Deal

Who doesn't like a good bargain? A walk through the grocery store will expose you to an array of different sales tactics all aimed at helping you make a particular purchase and provide the feeling of euphoria that goes along with getting a good deal. While we all like saving money, most of us realize that cheap things are not always good and good things are often not cheap. Getting burnt a few times buying cheap products that do not perform as expected moves most people from being bargain hunters to value seekers. Instead of focusing on spending less we look to get more for our money.

This psychology plays right into the concept of the "2 FOR 1" sale. It is very satisfying to pay a fair price for something and then get something else for free. Well if you like "2 FOR 1" deals, let me introduce you to the "3 FOR 1" grain marketing deal, the Minimum Price Contract (MPC). That's right, a MPC allows you to stay in the market for one low fee, giving you **time**, **cash in hand**, and a **price floor**!

> **<u>Time</u>**
> Marketing grain after harvest always requires that you pay for more time. There are a number of ways this can be done. Some strategies have easy to identify direct costs and others have indirect costs that are a little tougher to pinpoint. Everything is out in the open when entering into a MPC. You sell grain at the current price minus a fee. The cost is known up front and does not continually accrue like some other contracts such as storage or Price Later (a.k.a. DP or NPE). Once written the MPC gives you the right to take

advantage of a market rally for a set amount of time. The fact that you have priced the grain is key to the next two points.

Cash in Hand

This is where the real value starts to show up. With a MPC you pay for time, but get your money in hand at the time of delivery. Entering into a storage or Price Later contract offers no money up front and other contracts that do put money in hand will typically only advance 50-75% of the current cash value. A MPC pays out the entire minimum price which is typically 90-95% of the current value. When you figure the value of having your money now, a MPC starts to pay for itself!

Price Floor

This is where a MPC pulls away from the field. The price you receive up front is the absolute minimum you will be paid! You are in a position to take advantage of a rally in the market but will be unaffected if the price drops! You may think the market will not go lower, but it always can. Other strategies can give you the chance to capitalize on a rally but leave you equally at risk to lower prices.

There are a number of ways to stay in the market for the possibility of cashing in on a rally but only the MPC protects from the risk of lower prices. Consider that a MPC gives you all this and is often cheaper than commercial storage or Price Later fees! Why pay as much or more to stay in the market without reaping the extra benefits of a MPC.

MPC is not a silver bullet; just like all other strategies, there is no guarantee that you will see higher prices. Before taking any steps to “buy” more time, carefully examine whether you are better off taking what is currently available and starting to concentrate on next year.

If you are going to buy more time, consider getting more for your money with a MPC, the “3 FOR 1” marketing deal.