

# Farmer's Corner

"Helping The Producer Sell Better"



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## Back to Basics

Handsome profits have been fairly easy to come by in the last few years. There was never much of a penalty for marketing grain one way versus another. Whether you sold early or sold across the scale, there was typically a profit in the value of your grain. Could this change? Of course it could. There will likely come a time when the value of grain does not offer a profit. No one can predict when that time will come, but it is a possibility that we should all be aware of. The purpose of any business, including production agriculture, is to earn a profit. Production agriculture should seek to collect more money in revenue than it spent in production. To this end, it is key to think in terms of return on investment, not just what price it was, could be, won't be or should be.

Today's reality is a new crop corn and bean market that is several dollars less than what we experienced over the past two years. Previous years prices can't serve as blinders to the current situation and market. We can't be gun shy of what yields may be attained. We should think in terms of what return on investment is reasonable and attainable. The markets are volatile. We cannot avoid this. It is the nature of the beast in that the higher something rises, the further it has to fall. History isn't necessarily an indicator of future performance, but history can show what is possible.

The message here isn't to run out and sell your entire 2013 crop. We are hoping to encourage you to challenge your thinking. Get your marketing goals back to "what is profitable" as opposed to "I have to sell at the high." Be aware of what profitability is available. Think about what added cost you may incur if you delay selling. Ask yourself what risk you and your business can tolerate, both from a production standpoint and a price standpoint.

What did 2013 show us? Corn can move north on the river. Foreign corn can and will come to fill our needs. Wheat can again make good livestock feed. Prices can fall even with a small crop. Finally, sometimes it is hard to sell at a profit, but it's even harder to lose money doing it.

Get a marketing plan and stick with it. First, you have to recognize a profit. You absolutely must know your expenses and breakeven point. Second, know your goals. You must be able to sell at those goals when possible, but always remember your risks. Third, turn grain into cash as quickly as possible. Why? You will limit additional marketing costs. Finally, don't dwell when markets go higher. You probably didn't sell the entire crop and if you did, your next crop will likely be more valuable. Hopefully, your forward contracts are the cheapest grain you market all year.

Don't forget about the tried and true marketing tools. Forward Contracts, Target Contracts and Minimum Price Contracts work. Be cautious of new or complex marketing contracts that could double the amount of grain you have sold when prices reach or fall to some special price, or could leave you with absolutely nothing sold.

Remember that we value your business, and would never intentionally do anything to negatively impact your farm or family. We want to see your farm and families grow and prosper. Strong and wholesome farms make great communities.

The next couple of months will include the Thanksgiving, Christmas and New Year celebrations. These are great times to remember the gifts of family and friends and to reflect on the gifts of the previous year. Thank you for your business. We truly appreciate your continued business and look forward to the opportunity to work with you for many years to come.