

Farmer's *Corner*



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Dealing With "Maybe If..."

For many producers, marketing is like trying to drive along a busy interstate using only their trusty radio and rearview mirror. The radio is great, giving all the latest travel updates, traffic conditions, weather information and possible trouble spots. The rearview mirror gives a clear picture of where you have been and the perils which have been successfully negotiated. But this method of travel comes with serious pitfalls. You can't see what is right in front of you, and changing conditions that might affect your route before the radio has time to report it. You can only see your turn off when you have passed it. As you can imagine, this would lead to a certain degree of anxiety and stress.

The last few years have been tales of joy and woe. If you have been fortunate enough to have good crops, prices have been profitable. If you have had short crops or worse, no crop at all, crop insurance has reduced some of the stress. Inability to make a decision has been rewarded to a certain degree with strong markets.

The question that many are asking themselves right now is "How long can we stay at these price levels?" Answers and opinions range, as always. You can find our forecasts of huge surpluses around the corner, continued short supplies for the foreseeable future, and every year in between. The information highway is full of experts with lots of advice for what the best strategy has been and their opinions about what might happen in the future.

So what is a producer to do? So much information, so little time (and patience).

We would suggest that the best action is one that focuses on the things that we do know, and the things that may be discovered. None of this will be earth shaking news to those of you who have been regular readers.

Start with the cost of production. For many of you, the process of making the major decisions of what to plant and developing agronomy plans is well along. The costs for land, machinery, etc. are easily discoverable in that you have or will be doing that joyful work on your income taxes. For the most part, cost of production per acre is more about the decision of what to plant than anything else.

Next, you need to settle on a reasonable expectation for yield. At this point, we would suggest a 4 or 5 year average. In the winter, over the long run, planning for average will be a solid approach.

Everyone should have some kind of profit goal in mind at the very beginning. "All I Can Get!" may sound good, but it is very hard to measure and virtually impossible to achieve. Selling at the high may seem like a great idea, but you will only identify that, for sure, in the rear view mirror.

With a firm profit goal per acre, it is very easy to add that to the cost per acre, divide by the expected yield, and derive a target price level that gives you your desired outcome. This is simple, but far from “simplistic.” It takes time and thought to get here.

Once you have arrived at the numbers, it’s time to take steps that make it easy to turn your thoughts into action. Entering target orders is the easiest way to do this. Targets are easy to do and don’t cost a thing. They are truly your least cost marketing method.

One of the biggest challenges is dealing with the remorse that comes with making what, for lack of a better term, we’ll call a “bad marketing decision”. You all know what we’re talking about, the one where you sell and then the market goes higher and you spend the next month second guessing yourself.

We would suggest to you that if you have followed the steps we’ve talked about, made a sale based on sound information, with profit goals in mind, that a “good sale” is one that makes you the profit that you wanted. We would also say that a good sale is always a good sale. Sure it might have been better, maybe, but it is still and will remain a good sale.

Be knowledgeable about how your crop insurance works and understand how the revenue products are used to support good marketing habits. They can help relieve some of the anxiety of selling something that you don’t yet have. Selling ahead and turning the grain into cash at the first best opportunity is always a good habit to have.

Finally, a word about target offers. Scaling targets is a great way to achieve your goals. Remember the goal is to achieve your overall goals. Scaling up the targets allows you to put an initial set of offers in place to get started selling and then reassess your progress. Also, taking a look at your working targets on a regular basis will allow you to think about where you stand and what the condition of your crop is. Warning: choosing to cancel or raise targets can derail your plan and you should only do it if you identify a significant change in your plan. If you have followed the process described in this article, and given that research and time you put into making the decisions, changing your plan could result in an outcome below what you had hoped to achieve.

Everything should be as simple as it is, but not simpler.

Albert Einstein