

# Farmer's Corner



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Number 2

## Focusing on the 2012 Crop

*I never think of the future - it comes soon enough.*  
-Albert Einstein

The current agricultural environment has us wondering what the future holds for row crop farming. We look at the role of the current ethanol industry, and wonder if it will grow or even if it is sustainable at current production levels. We look to expanding stocks of the world's wheat supplies or declining world stocks of rice and wonder how that will affect grain prices. We worry about growing production cost, soaring land cost and who will control our production acres. We talk about changing government focus toward agriculture and the power of the EPA and OSHA. How will the environmental activists' movement toward animal agriculture play out? What is the role of the big speculative money in the futures market?

The expanding Southeast Asia economies now coupled with what appears to be a declining European economy will certainly bring change to the US Ag sector. The list of future possibilities is staggering to think about. There are always those things that are unpredictable like weather and interest, or on a grander scale such as wars or even colossal technology breakthroughs. We think about these things, our media sources focus toward them, and most of us try hard to stay informed. It's an interesting world but uncertain.

### **The Future is NOW**

What does looking into the future have to do with farming in 2012? Not a whole lot, really! Besides the weather, we know a lot about 2012. The uncertainty is gone for the moment. We know land cost and overhead, input costs, the cost of money, crop insurance prices, we know our planting intentions, and we know about what the crop is worth. What we don't know is yield. Factoring in an average yield we can almost determine our outcome!

Producing the crop and selling it is all that's left!

There is no shortage of information on grain marketing that tries to help farmers gain the upper hand when it comes to selling their crop. The very fact that so much information is readily available suggests that a lack of know how may not be the problem. The real problem may be a tendency to risk the windfalls and the hard earned profits of the past on some glorious day of bliss. A more prudent approach is to make a profit each and every year and make enough to grow your business.

## Can Demand for the Crop be a Trap?

Don't let the demand for your crop lull you into thinking marketing is easy. For most, the last few years have been a marketing dream; prices were high when the money was needed. It definitely takes courage to sell a crop that is fifty cents to a dollar off the highs. It takes courage to sell enough of that crop to make a substantial difference on the bottom line. There is nothing wrong trying to sell at the top of the market but few ever have sold much at the very top. One way to look at that last 10% you left on the table is that it is the expense of locking in a profit. Sell enough to make a difference – selling small amounts at profitable prices might give folks bragging rights but it takes courage to sell enough to affect your destiny. Also, it's best to keep your marketing simple. Don't let the fine print of contracts you don't understand surprise you at settlement time.

The press would have you believe that everybody farming is making a fortune. The truth is individual challenges are quite different. Work hard, know your risks and market diligently.

Remember, there is nothing wrong with asking for help!

## Team up with the Elevator

Make a commitment to gathering your information (all of your knowns), creating a marketing plan, and making the necessary adjustments today to make the plan work for the future. If it's true that two heads are usually better than one (and it is) then the best place to start developing that marketing plan is at the local elevator. Successful producers will team up with their local elevators to make the year 2012 successful.

What does this team work with the local elevator offer that another market might not? Besides great service, there is one huge advantage that local elevators provide, the Target Contract. Target Contracts have great benefits. First, they provide pricing opportunities before the crop is harvested. Second, Target Contracts enable the producer to maintain constant market presence 17 hours a day. You are not expected to sit and watch the market. If and when then profitable (desired) prices become available, you are prepared to take advantage of the opportunity. Third, they are extremely cost effective because they are free.

### *TARGET CONTRACT*

I, \_\_\_\_\_, offer to sell  
\_\_\_\_\_ bushels of  
\_\_\_\_\_ to \_\_\_\_\_  
at a price of \$ \_\_\_\_\_ per bushel.

Delivered To: \_\_\_\_\_

Delivery Period: \_\_\_\_\_

\_\_\_\_\_  
(Producer) Date \_\_\_\_\_ 20\_\_

\_\_\_\_\_  
(Elevator) Date \_\_\_\_\_ 20\_\_

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