

Farmer's Corner



November/December 2008

Number 5

“IT WAS THE BEST OF TIMES.....”

Charles Dickens, A Tale of Two Cities

Charles Dickens may not ever have imagined himself being quoted in a grain marketing newsletter, but his famous opening sentence fits the current environment perfectly. To complete the quotation, “It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way.” How appropriate to the current situation in grain marketing!

Since the first of October 2007 we have been on the mother of all rollercoaster rides. We’ve experienced wild gyrations of the market that are unprecedented. Trying to market your grain through these light-headed highs and stomach churning lows, with plenty of gut wrenching turns, bumps and dips along the way, is the perfect recipe for sleepless nights and increased sales of Roloids and Pepto-Bismol.

The good news is that the market has enabled many people to experience one of the most profitable years ever. Many farmers were able to really cash in on the 2007 crop in a big way.

The crops to be harvested in 2008 traded at some pretty heady levels too. On November 1, 2007, the December 2008 contract closed at \$4.16 ½. The rollercoaster took us to a high of \$7.99 ¼ on June 27, only to retreat to a recent low of \$4.08 on October 8. Soybeans hit \$16.36 on July 3. Hard wheat hit \$13.00, soft wheat reached \$12.72, and spring wheat got to \$12.89. Even rice at \$22.72/cwt and canola at \$17.51 per bushel weren’t immune from the wild ride.

The overwhelming question that comes up is “How on earth are we supposed to market in times like these?”

The answer shouldn’t surprise the regular readers of this newsletter. It’s one that has provided the farmer with the most consistent road to profitability over many years. While following this philosophy, you have definitely had times where you feel like you’ve missed out by “selling too low” and missed some opportunity. But the message of “a good sale is one that makes your target profit goal” has proven itself time and again.

There are two main issues that stand before us at the current time. First is the question of what to do with the grain you’ve harvested this year, and the second is what to do about marketing the 2009 crop. How you respond to these two issues will have a huge impact on your income.

On the surface it is a very simple question to answer. In reality, it’s slightly more complicated. Simple for the 2008 crop because you know what it cost to raise the grain and it’s easy to calculate a profit goal.

Many were able to make at least some sales for new crop 08 at pretty good levels. Take prior sales into account when you determine what price you need to receive for the balance of the crop. The question you should ask yourself is “What do I need for the rest of my unsold grain to give me a profit of X dollars for the year?”

The action you need to take once you know the answer is to put in a Target Contract. This will enable you to be ready any time the market hits that price, day or night, as long as the order is able to be filled.

The answer to the second issue, selling the 2009 crop, is a little more complicated. To answer this question in a proper fashion, you **MUST** talk with your marketing “team”. This team includes yourself, your banker and your elevator man. All three of these play a huge roll in your marketing outcomes. It’s very important, especially in the current environment, that you have early conversations with all of these folks to determine what options are available to you.

First, you must attempt to get some idea of what the 2009 crop is going to cost you per acre to raise. This might mean talking to your agronomist and fertilizer sales people as to the input costs. There has been a great deal of volatility in this market as well, so this will be a critical piece.

Second, go talk to your banker. In the current environment, what he has to say will go a long way in determining what you are able to do from a marketing standpoint for the 2009 crops. You need to know what the banker is willing to do to help you get a profitable price sold for 2009.

Third, talk with your elevator operator; you might do this prior to meeting with your banker to help answer some of the banker’s questions. The situation this last year has many elevators rethinking how they are going to offer farmers forward contracting as we go forward. It’s important that you know what is available to you.

There may be times when you are able to sell in a manner like you’ve always done it, with a straightforward contract. At other times, the only way for you to sell might be to participate in funding the forward contract. It’s important that you know, and a quality conversation with your elevator operator is the only way to find out.

Once you’ve answered these questions, then it becomes pretty simple again. Know with a relative degree of confidence what it might cost you to raise the crop, determine what kind of profit level you need to have, then put in the targets to achieve that profit goal.

Selling grain is like taking a trip. You need to know where you are going before putting the car in gear. You need to have planned out the route that is best to take, but as always, you need to be prepared for unexpected detours.

As your elevator, we stand willing, ready and able to do everything within our power to help you achieve your goals. We’re on your side, we want to help you.



There are many farmers around the country starting to rethink how they negotiate their cash rents. With prices so volatile, it’s hard to determine what a “fair” cash rent is. The solution beginning to take hold in some areas is somewhat of a throwback. The landlord is guaranteed a certain number, say \$200/ac. If the crop value on November 1, for example, exceeds \$750 then the landlord receives 20% of the excess. This would allow the renter to be assured of a reasonable rent in less successful years, and lets the landlord benefit from increased value in the really good years. This balances the risk somewhat between the parties and can somewhat relieve unnecessary anxiety. Something to think about.