

Farmer's Corner



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Number 1

Old Traps and New Beginnings

About everything you pick up to read, tune in to hear, watch on TV, and google on the internet talks about the New Year as being a time to turn over a new leaf, start fresh, renew your efforts or make a New Year's resolution. As we all know, most people start out with big plans for change but fall into the same old traps that result in doing the same old things. This can affect any area of life that requires discipline, so crop marketing is no exception. What are some traps that affect farm marketers?

Trap #1: "They say"

While it remains unclear who "They" is, it's not hard to figure out what makes their case so compelling. If you listen closely, it turns out "They" are typically telling people what they want to hear or reinforcing what people want to believe. Any "They" who takes an opposing view doesn't get much attention.

Trap #2: "It worked last year"

Another way to state this trap is that "I'm going to market this year like I should have done it last year". That's a great way to market last year's crop since you have the benefit of 20/20 hindsight. The only problem is what you should have done last year might not be what you should do this year. Things change and this method has a track record of hurting more than helping.

Trap #3: "But it can't go any lower!"

Interesting concept, but deep down we all know that under the right conditions prices can always go lower. Prices for most crops are still well above where price supports or loan rates kick in.

True New Beginnings:

Start off the New Year with an assessment of how you stand profit wise on the 2013 crop. Take a good look at the sales you have made and where you would be if you were to sell everything you have left unsold at the current market price. If the profit you see is acceptable go ahead and sell everything! If you aren't happy with the result, make a plan to sell it. This may mean putting target orders in at the levels that will give you the results you desire. It may mean using a Stay in the Market or Minimum Price Contract in place to protect against a major drop in prices.

This is very important, especially if having some unsold 2013 crop is a barrier to thinking about marketing the 2014 crop. The old crop gets in the way of the new and that can cause a whole new set of challenges.

One of the biggest challenges producers have coming off a period of very profitable prices is feeling like they have to go back up to where they were. History tells us that when this happens, the next year or two can be very challenging when it comes to marketing.

Take advantage of the New Year. Take a hard look at where you stand. Take action that ensures your ability to be in the game for the long haul. Selling at profitable levels, even though they may seem to be less than what you would like, is still a profit. Start thinking in terms of profit per acre instead of a price and you might be surprised by the results.