

Reflect on the Past and Plan for the Future

Harvest! The change in the air, the flurry of activity in rural communities across the country, and the culmination of hard work and investment makes harvest one of the most enjoyable times of the year for those of us in agriculture. This, of course is not to minimize the long hours and stress that also go along with harvesting a crop, but in the big picture, harvest is the pinnacle!

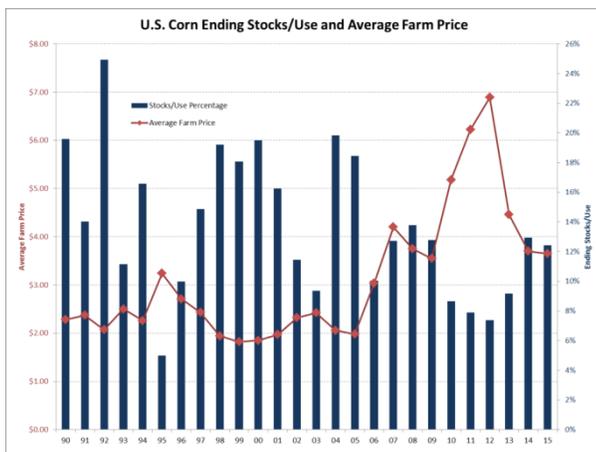
While harvest is a busy time, it also offers some “windshield” time in combines, tractors, trucks and other places. This is an opportunity to reflect on the past and plan for the future; time to count blessings and think about things to improve on.

There’s no need to describe the roller coaster ride of the last few years; we all were on it! Hiccups in supply met increasing demand, resulting in an unparalleled period of prosperity in agriculture. As would be expected in a free market, the participants have responded in a big way. Grain businesses, ag retailers, implement companies, producers and other ag related businesses, all bolstered by the recent boom, have invested in a great deal of equipment, buildings, land, and other resources to capture as much of the opportunity as possible.

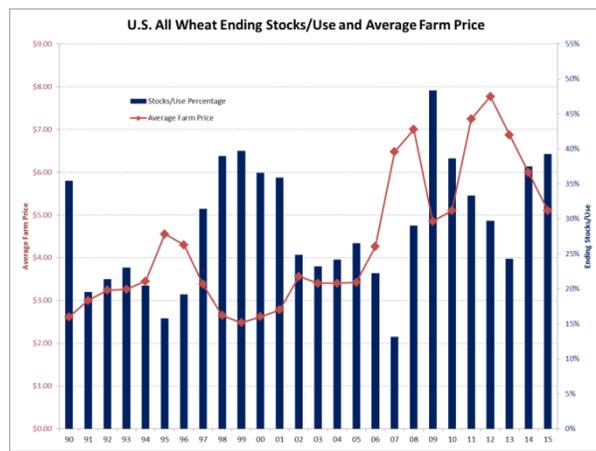
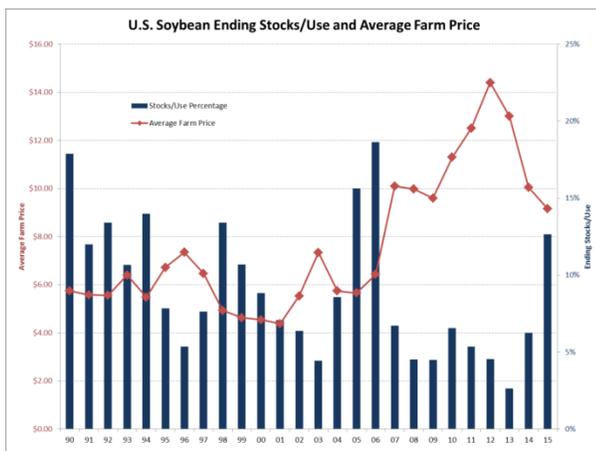
As a result, we’ve begun to rebuild grain supplies and in an environment of increased overhead and direct costs for just about every participant. The market has reacted to increased supply with lower prices. For producers specifically, higher input costs, higher land cost and increased overhead has led to breakeven prices for grain that in most cases are higher than current market prices.

This, of course is not news to you. It’s likely the reason that you’ll spend more than the usual amount of your “windshield” time thinking about marketing.

The intent of this article is not to rub salt in the wound, or to even suggest that prices won’t improve. We’ve all watched the market close enough in the recent past to know that things can change quickly.



Here is the point. While marketing has been emotionally draining at times in the past several years, being a proactive marketer has not been necessary for success. This demand market has been very forgiving and at times very rewarding of procrastination. As supplies build, however, it is likely that we will see that change. History shows a strong correlation between ending stocks/use and average prices received by farmers. Put simply, the more carryover there is relative to use, the lower prices tend to be on average.



So, what do you do now? In times of greater profit margins, it's easy to let discipline slip. We're going to have to run a tighter ship! That goes for all sectors of agriculture.

In farm marketing, it means:

- Knowing accurate costs and break even prices as soon as possible.
- Taking the time to determine what an adequate, but reasonable profit per acre is.
- Using that information to set goals and target prices.
- Having the discipline to execute and take advantage of opportunities.

In addition to making an effort to maximize revenue through marketing, research and keep an open mind about innovative breakthroughs in growing practices. Grain prices are something that we have no control of, whatsoever. Yields and input costs are the other components of farm profit and CAN be managed to a much greater degree.

As we move forward into what could be a period of tighter margins, a proactive, profit based approach to marketing along with an ongoing effort to learn and implement the most economic growing practices, might just be what it takes to remain successful!

Have a safe and enjoyable harvest!