

Farmer's Corner



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Number 4

SUMMER MARKETING EXERCISE

About this time each year with the growing season for fall crops well underway, attention shifts from everything that is necessary to get the crop off to a good start back to the other crucial factor in a successful farming operation; marketing.

While the circumstances vary widely from year to year, the same summertime marketing questions for which there are no answers remain. These questions revolve around weather during the critical parts of the growing season and how it could affect our own crops as well as the national crop as a whole, for better or for worse. Also puzzling is the accuracy of the USDA reports concerning remaining stocks from last year's crop, acres planted and projected yields, all of which are significant factors in our markets. No doubt, a little clarity on these matters would make this job of marketing much easier!

While these questions are intriguing topics of discussion, the fact that neither we nor any other mortal possess the ability to foresee the future, eliminates them from being guiding factors in marketing. Since there are no answers to these questions, the default for many producers is to simply delay action until more information is available and hope for the best. This may seem to be the more conservative route, but many times great marketing opportunities (to lock in profit and minimize risk) are overlooked due to this summertime hype about the unknowns.

This summer, let's try something different.

It is not news to you that your financial success for a given year can be calculated with a simple formula. As in any production business, gross revenue minus cost of production equals profit. While there is certainly nothing profound about this, rarely is this formula viewed as the primary consideration when making marketing decisions. Let's give it a try! You can be sure that there will be plenty of chatter this summer about things that we can't know with any level of certainty or change, but you can know where you stand by updating your profit formula on a regular basis.

Below is a simple worksheet that will help you evaluate your crop in terms of profit net profit to you. You can use this for both old crop and projected new crop production (in separate sheets.) The first time will be the most time consuming especially if you have not already calculated your cost of production per acre, but afterwards should be quick and easy to update with current prices. A quick weekly update to this worksheet won't require much of your time and will give you something meaningful to consider amid the chatter and uncertainty that is likely to abound.

As always, please feel free to call or stop in to discuss your marketing plan!

WHAT'S THE VALUE OF YOUR CROP?

Crop: 2014 Corn

Yield Per Acre	<u>175</u>
X Total Acres	<u>250</u>
Total Bushels to Market	<u>43,750</u>
Bushels Forward Contracted	<u>15,000</u>
X Average Forward Contract Price	<u>\$4.80</u>
Income from Forward Contracts	<u>\$72,000</u>
Today's Cash Price	<u>\$4.00</u>
X Bushels Left to Market	<u>28,750</u>
Income from Remaining Bushels	<u>\$115,000</u>
TOTAL CROP REVENUE	<u>\$187,000</u>
Cost Per Acre	<u>\$550</u>
X Total Acres	<u>250</u>
TOTAL CROP COST	<u>\$137,500</u>
TOTAL NET PROFIT	<u>\$49,500</u>
NET PROFIT PER ACRE	<u>\$198</u>

WHAT'S THE VALUE OF YOUR CROP?

Crop: _____

Yield Per Acre	_____
X Total Acres	_____
Total Bushels to Market	_____
Bushels Forward Contracted	_____
X Average Forward Contract Price	_____
Income from Forward Contracts	_____
Today's Cash Price	_____
X Bushels Left to Market	_____
Income from Remaining Bushels	_____
TOTAL CROP REVENUE	_____
Cost Per Acre	_____
X Total Acres	_____
TOTAL CROP COST	_____
TOTAL NET PROFIT	_____
NET PROFIT PER ACRE	_____