

# Farmer's Corner



July / August 2011

Number 4

## Summer Review

With the growing season for fall crops well underway, the time has come to review your marketing plan and to make any necessary adjustments based on what we know now. While planting concerns and extreme volatility sent most folks to the marketing sidelines this spring, we now have enough information to reassess our plans and refocus on our marketing objectives. Understandably, the feelings created by not knowing how much of each crop you'd be able to plant, if any at all in some cases, in addition to a market that's been an unnerving rollercoaster ride with lots of chatter coming from all directions about where this ride could take us next, are enough to make anybody forget about a marketing plan and be controlled by emotion. Let's take a few minutes to regain focus, assess our marketing progress to date for the 2011 crop and make any necessary changes to the plan going forward.

### Refocus

While this spring has certainly been an emotional roller coaster with the uncertainty and volatility, this fact remains: The opportunity to market your crops at record profit levels is available **RIGHT NOW!** In the recent past, we've grown accustomed to big market swings and historically high prices to the point where cash prices for corn over \$6.00 and soybeans over \$13.00, which represent tremendous profit, are taken for granted as if they will last forever, if not improve. While we must exercise caution and not oversell the crop, many bushels are left unsold and the opportunity for a very profitable year is at stake. While it is possible that these prices will remain into harvest or possibly increase, the question you must ask yourself is this: Am I willing to pass on this outstanding opportunity in hopes of a better outcome later?

### Review

Now that everything is planted and we have a decent start to the growing season, it's time to revisit your marketing plan. Many producers have already sold a certain amount of their crops earlier in the year and the first thing we must do is determine what percentage is sold based on what ended up being planted and what we think the potential yield is at this point. In some cases where acres were switched from one crop to another or possibly abandoned all together, you may have a much higher or lower percentage sold for each crop than you intended. Perhaps you have a very high number of unsold bushels that need to be marketed or at least have a target price established. On the other hand, maybe changes to your original planting intentions have left you oversold and you need to talk your buyer about dealing with the contracts. The key is that you determine your best estimate of where you currently stand and plan from this point accordingly.

Use the worksheet below to determine your current marketing situation:

<b>Crop</b>	_____	_____	_____
<b>Acres Planted</b>	_____	_____	_____
<b>Estimated Yield</b>	X _____	X _____	X _____
<b>Estimated Production</b>	= _____	= _____	= _____
<b>Bushels Previously Sold</b>	- _____	- _____	- _____
<b>Unsold/Oversold Bushels</b>	= _____	= _____	= _____

## Refine

Once you've determined what you have left to sell, the next step is to adjust your plan. One of the greatest challenges of a marketing plan is determining what percentage of your average production is safe to sell. Typically, folks tend to err on the conservative side for fear of underproduction, which is not a bad idea unless you are consistently leaving too many bushels out of your plan that are left to be priced later at the mercy of the market. In the past couple of years, the market has been kind to these unplanned bushels. However, making the assumption that the market will allow for procrastination this year with so much opportunity on the table could prove to be costly. There's a lot at stake! It's important that you find the right balance, not putting yourself in a position where you are likely to be oversold but maximizing your profit by selling as much of your production at a profitable level as soon as it's available. Do the math to see just what your current opportunity looks like.

$$(\text{Estimated Yield} \times \text{Current Price}) \text{ minus Cost per Acre} = \text{Profit}$$

### **Ask yourself these questions:**

- What is the risk in selling these unsold bushels now?
- What is at stake if I don't sell these unsold bushels now?

---

We want to partner with you in making this year a success.  
Contact a member of our team to discuss your plan today.

**Have a safe and enjoyable summer!**