

Farmer's Corner



May/June 2010

Number 3

What's Your Number?

We in the grain elevator business have a strong desire to see our farmer customers prosper. We simply can't survive without you.

Long-term success in farming happens when excellent production practices are combined with disciplined marketing practices. Producers in general do a marvelous job of efficiently growing record crops. The size of the 2009 corn and soybean crops confirm that. Farmers are excellent at and comfortable with growing grain. Our conversations with our customers show that most are less pleased with their marketing abilities and outcomes.

Excellent marketing opportunities have been available during the last year, yet many bushels of the 2009 and 2010 crops remain unsold. If you are still waiting to sell, what's your number?

To be a little more specific, what number are you watching? There are several different numbers that are key to the disciplined marketer's program. The price per bushel is one of them - an important one at that - but if the farm marketer focuses only on the selling price, he is likely to miss many good marketing opportunities and become frozen, frustrated, and doomed to fail. Think about it; in the last two years the price of corn has fluctuated between \$3.00 and \$7.65 per bushel. If you watch price only, when the range is so wide how do you establish a benchmark that helps you make good pricing decisions? What's your number? That question cannot

be answered without knowing some other important numbers.

Step One

Surely there must be some other relevant numbers that will aid in the decision making process. Everyone knows that the cost to produce a crop has a very direct impact on the outcome of the grain marketing program. Production costs, like commodity prices, have varied widely during the last two years. Costs impact the outcome and change the definition of a "good price", so knowing this number is of the utmost importance. You either already know it or have access to the information that will allow you to know it. *What's your number?*

Step Two

There is another important number that requires some thought and calculation on your part. How many dollars do you need from your grain production enterprise? You need to retrieve your costs plus how much more? How many dollars per acre must you generate to pay your salary and how much return would you like to make on your investment? This number is a combination of some calculations based on your needs and desires. As a self-employed business person, you owe it to yourself to determine this number. *What's your number?*

Step Three

The next number that you need is dear to the heart and carefully monitored by all producers. You are all very much production oriented and have a very good handle on how many bushels per acre you have harvested on last year's crops and on what your expected production might be on 2010 crops. *What's your number?*

Step Four

Now we are close to discovering your *real* number - the result of a simple calculation. Divide your gross revenue needed per acre by your average yield per acre, and you will know your number. *What's your number?*

Step Five

Now that you know your number, what do you do with it? If the market has already reached your target price, you take action, sell it and don't look back. Countless producers have passed up opportunity during the last year because they failed to learn their number. Had they known their number, they would have been more apt to take action because more than anything, your number gives you a meaningful benchmark – it lets you know instantly what any price means to you. There is no better way to stay focused and disciplined in marketing.

It is possible today that the result of your calculations will show that the market price is below your number. Now what? Decisions become more difficult at this point. Either you decide to take a defensive position to marketing and sell before you lose more opportunity or you enter a Target Contract. Expose your number to the market for 17 hours per day, five days per week, so that if the price you need is reached you can lock in your number without delay.

The purpose of our short discussion has been to demonstrate that the execution of successful farm marketing may be condensed into 5 simple steps that require no greater learning than elementary school math. The difficult part, it seems, is taking the time to become more knowledgeable about your own business, making the commitment, staying focused and executing a plan. What a worthwhile endeavor, when you consider that marketing the crop has the potential to become just as fulfilling as producing it.

Our team is ready to help you simplify your crop marketing and to help you reach a higher level of success. We are here to help you as you work toward achieving your number.