Farmer's Corner

"Helping The Producer Sell Better"

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Where Do You Stand?

And What Should You Do About It?

As you wrap up the production part of the 2009 crop and the bushels are put in a bin or delivered on contracts, you'll have an opportunity to sit back and identify exactly where you stand so you can take appropriate action to complete the marketing of the crop. Prices have dropped considerably, but price movement is only part of the whole picture.

Here are three important questions you'll need to answer before you take the next step:

1. **Where do I stand?**
   How many bushels have I already marketed, and at what price?
   How do my yields compare to what I anticipated?

2. **What do I need to do next?**
   What is my outcome at current price levels?
   What outcome do I want?

3. **What is the best way to achieve my goal?**
   If I need to stay in the market longer, what is the best way to do it?

There are a lot of things in farming that you can't control, which makes it all the more important to take control where you can. Two things you can definitely control are knowing where you stand at all times, and being prepared to act on your goals if the opportunity arises.

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Where Do I Stand?

This worksheet will help you determine how your overall marketing picture looks when you combine previous sales with bushels left to be sold.

2009 Marketing Evaluation

	Example	Actual
How Many Bushels Did You Produce?		
Average Yield Per Acre	180	
Total Acres	500	
Total Bushels to Market	90,000	
What's the Value of Bushels You've Already Sold?		
Bushels Forward Contracted	10,000	
Average Sale Price	$4.00	
Revenue from Forward Contracts	$40,000	
What Is Today's Value of Bushels Left To Sell?		
Bushels Left to Market	80,000	
Current Market Price	$3.00	
Revenue at Current Price	$240,000	
What Other Sources of Revenue Will You Get on This Crop? (Gov't Payments, Crop Insurance)	$0	
What Is Your Cost of Production Per Acre?	$500	

This is Where You Stand Today

	Example	Actual
Revenue From the Sale of the Crop	$280,000	
Revenue From Other Sources	$0	
Cost of Production	$250,000	
Net Income From Crop	**$30,000**	
Profit Per Acre	**$60**	
Average Price Sold Per Bushel	**$3.11**	

What Do I Need to Do Next?

If the calculations above show you an acceptable return, it may be time to get grain sold and protect the equity you have in the crop. The general mood is bad because prices have moved lower, but if your earlier marketing decisions, a bigger than expected yield, or any other combination of factors have made the outcome better than you thought it was, getting past this crop with a positive outcome and moving on may be the best choice.

If, however, you determine that you need to stay in the market for a better price, you need to identify the best way of doing that. Simply storing bushels is the default method, but as you have no doubt experienced, (or at least know someone who has), bushels in storage are subject to dropping prices as well as rising prices.

There is another simple method of staying in the market that offers the chance to participate in higher prices but eliminates the risk of lower prices, for a cost comparable to storage (at least for corn – the cost is somewhat higher for soybeans).

We call it a Stay In the Market (aka Minimum Price) Contract. The mechanics are simple. You sell your grain and pay for the right to stay in the market until a later date. Because the grain is sold, you have no risk of receiving a lower price. Instead of being tied to the elevator's board price, you are tied to a futures month and price.

The worksheet below helps you compare the costs, benefits, and risks of storage and a Stay In The Market Contract.

Alternatives for Staying in the Market

Timeframe: Now through Feb 20

Stay-In-The-Market Contract with NO Downside Price Risk		**Storage / Price Later** WITH Downside Price Risk	
Sell at Today's Price	$3.00	Wait to Sell	**?**
		Minimum	0.10
Plus receive any increase in the	MARCH	+ Monthly Fee	0.16
Base Futures Month above.	$3.40	COST OF STORAGE or P/L	0.26
		Interest	0.05
STAY-IN-THE-MARKET COST	0.28	STORAGE OR P/L COST	0.31
NET TAKE HOME TODAY*	$2.72	**NET TAKE HOME TODAY**	**0**
PLUS RECEIVE INCREASE IN FUTURES	????	**ELEVATOR'S BOARD PRICE LATER**	????
BETWEEN NOW AND FEBRUARY 20		**LESS COST**	0.31

How will the profit picture change if you add the cost to Stay-in-the-Market?

Bushels to Stay-in-the-Market	80000	Bushels to Store or P/L	80,000
x Stay-in-the-Market Cost	0.28	x Cost of Storage or P/L	0.31
Added Cost	22400	Added Cost	24800
Net Income from the Crop	7600	Net Income from the Crop	?????
Profit Per Acre	$15.20	Profit Per Acre	?????
Average Price Sold Per Bushel After Added Cost	$2.86	Average Price Sold Per Bushel After Added Cost	?????
MAYBE MORE / NEVER ANY LESS		**MAYBE MORE / MAYBE LESS**	

**You may defer payment 'til a later date if desired.*

What is the Best Way to Achieve My Goal?

Last year, storing grain resulted in a higher price; this year, it has not. Grain in storage can become worth less or more over time. Grain on a Stay in the Market Contract can only keep its value or become worth more – it can never go down in value since you have a guaranteed floor price.

With prices lower than they have been but still above loan rate, grain in storage is at a substantial risk of losing equity because it does not have a price floor other than the loan rate.

We'd like the chance to talk to you about this in more detail. The more you are aware of your alternatives to protect equity, manage risk, and still be in the market, the more in control you can be.