

Farmer's Corner



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W.I.N. ... What's Important Now?

Your answer to our title's question may have a profound impact on your grain marketing success. W. I. N., an acronym for the question, "what's important now?" is a concept successfully employed by a famous football coach and used by many trainers.

One such coach relates how his players may have the best skills in the world, but are not fully present in the game because of distractions which reduce their effectiveness. He learned that he could motivate his players to be present if they would continually ask themselves one question: "what's important now?" He knew that they could win if they devoted their entire being to answering that one question.

Our present discussion deals with helping you to be a good grain marketer. What's important right now, as far as becoming a winning grain marketer? Since the past is gone, the future is unknown and the present is all we have, how can we effectively use the present to become winners? Somehow, we need to be able to see the big picture and the smallest details at the same time and adapt to reality. Nothing else really matters. The coach said that his players had trouble staying in the game because distractions reduced their effectiveness. Have you as grain marketers had any distractions lately?

Changes That Distract

Change is something that we all recognize to be the norm. Saying that you have experienced some changes that could be distracting and prevent you from being a winning grain marketer is a huge understatement. Soon you will be planting the 2008 corn and soybean crops. So far, as of this writing, the November 2008 soybean contract has traded from a low of \$6.30 to a high of \$13.65. The December 2008 corn contract has traded from a low of \$2.60 to a high of \$5.47. New users of our commodities and new players in our futures markets

have caused prices to rise to record levels. These happenings become extremely distracting, especially if you already booked some or most of your 2008 production near the lower end of these ranges. We can not turn back the clock and reverse a good decision that we made using the facts available at the time. As distracting as these facts may be, we can not allow them to render us ineffective in dealing with what's important now.

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Changes in your cost to produce a crop are also phenomenal. As commodity prices have climbed to lofty levels, your input costs have joined in the ascent too. Fertilizer, seed, fuel, land rent, equipment costs and many other miscellaneous costs have gone through the

roof as well. This is very distracting to see such huge changes in cost of production in such a short period of time. But, again, we can not allow the huge run-up in costs to deter us from dealing with what's important now.

Some Things Never Change

Take courage! In spite of the constancy of change, some concepts never change and one of those concepts deserves your immediate attention. We have long advocated that commodity market prices need to be evaluated in terms of profit to the producer. In other words, think profit, not price. The process is amazingly simple. You have a good handle on your cost of production for 2008 now because you have probably bought many of your inputs already, have been checking prices or at least have heard reports of this year's input prices. You have records of past years' yields and can arrive at a reasonable projected average yield. Armed with those two bits of information, you can use the ProfitGrid on the opposite page to estimate your profit potential at a market price of \$4.95 on corn and \$12.60 on soybeans. (Cash prices as of this writing) We have already plugged in cost of production numbers that have been tossed around recently at educational meetings.

These charts would seem to confirm the long-standing belief of many that there is no consistent relationship between your cost of production and what the market is willing to pay you. For many years, the market paid only a nominal return above costs and now it is rewarding you an unbelievable level of profit. This is actionable information and is important now!

What's Your W.I.N.?

Let's personalize the W.I.N. concept. What's really important now? Depending on what marketing steps you have already taken, your answers will vary, however your list should be a short one and may include such things as the following.

1. Separate yourself from the market "noise." When Tiger Woods was asked how he handled the pressure of making the chip shot that clinched his winning the last of the four major championships, he replied, "I just tried to stay in the moment and focus on the shot I had to make." You are at the same juncture today.
2. Use the ProfitGrid demonstrated on the opposite page to see where you stand. In these volatile times, circumstances can change so fast. Rising market prices have gained on rising costs on the wild ride up. What happens if the marker decides to fall? Will costs fall as fast as markets sometimes fall?
3. Get a handle on your coverage provided by the 2008 Crop Insurance.
4. Make sales accordingly.



What About Selling 2009 & 2010 Crops?

We need to be candid as we discuss selling deferred years' crop production. We have always suggested selling ahead at a profit. The challenge today is that market prices and cost of production have changed so rapidly that identifying profitable prices into the future may make you uncomfortable. Locking in selling prices without being able to lock in production costs is to assume risk that places many producers outside their comfort zone. If you are uncomfortable selling, you need to be cautious. On the other hand, if market prices would fall substantially and costs would fail to follow along to the same degree, you could be in a losing situation. You are faced with deciding what it is important to you now in your own situation.

Producers are not the only group to get out of their comfort zone. The extreme volatility in the cash and futures markets has caused the grain industry to reevaluate how they manage their risks too. The continually escalating prices have significantly increased bookings and forced us to manage our risks accordingly. Today, because of the extreme volatility, some grain companies, including large multi-national firms, have chosen not to purchase cash grain bushels beyond 2008 crop. We want to help you manage your grain marketing risk in a manner that will keep both producers and grain merchandisers viable businesses in the future. Let's work on these challenges together.

"I have worried about a great many things in my life, and a few of them actually happened." Mark Twain