

Farmer's Corner



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Who Do You Believe?

Trust the Real "Expert"

We live in a society where news travels quickly. This is the "information age", with so-called "experts" in every field. Our industry is not lacking when it comes to free flowing information and hoards of experts with opinions on everything including commodity prices. Your challenge as a businessman is to market your crops, year after year, at profitable levels. Failure to do this in the long run will make it difficult to stay in business.

This challenge to market crops at profitable levels has led to an industry within an industry. Today there are a number of companies selling advice relating to commodity prices and their movement. Can their information and advice actually help farmers become better marketers? Sometimes yes, sometimes no. Ask yourself this question, if someone really knew where the market was going, would they call and share it with you? We doubt it.

The truth is that farmers see the real expert, the person who has the most knowledge about their operation,

the person who understands their needs, in the mirror every day. After all, who knows more about your business than you! With this in mind, whom should you trust your merchandising decisions to?

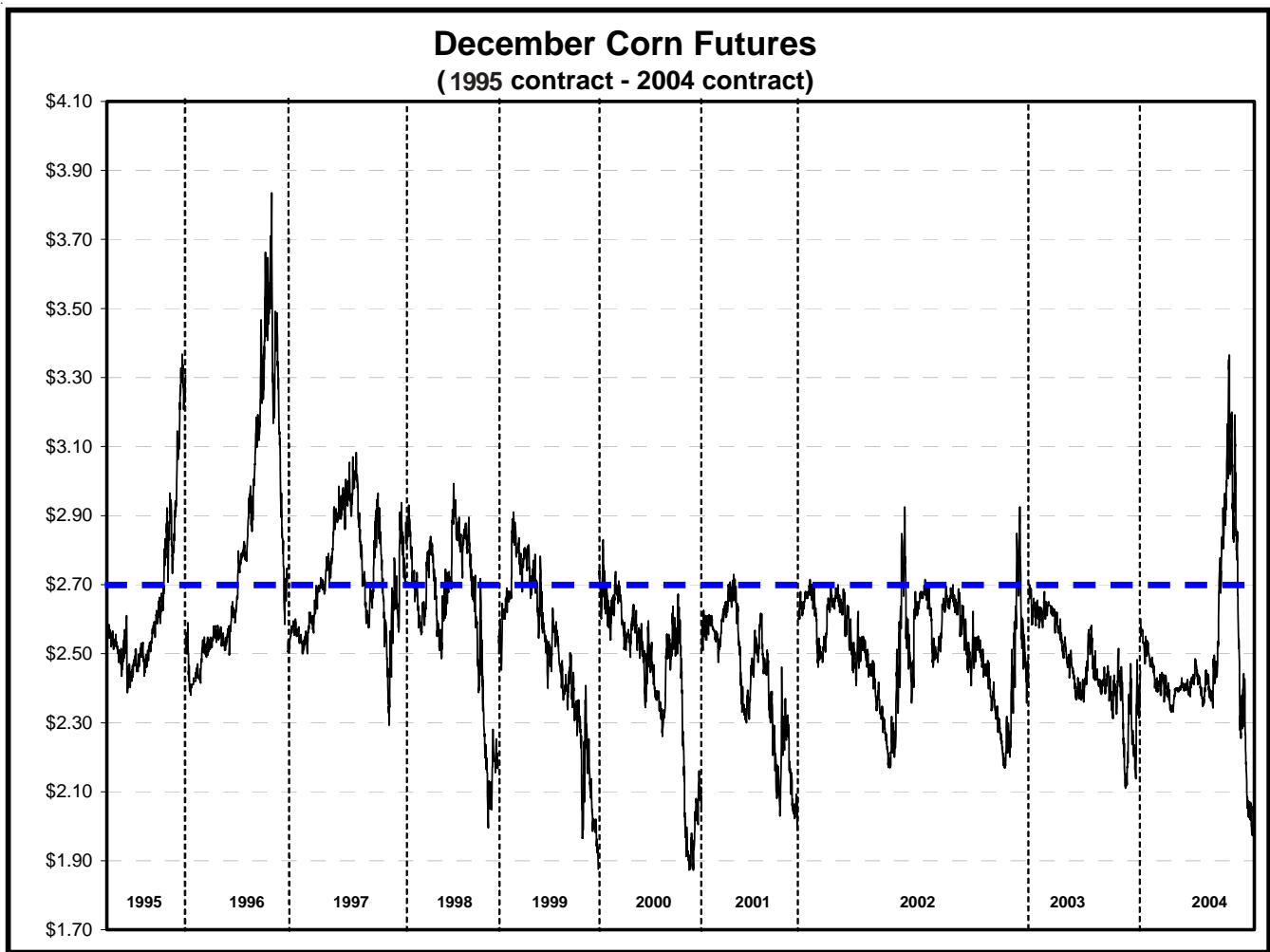
The answer is YOU. If you don't feel qualified, then do a little self-education. Nobody should be better qualified to make decisions about your business than you. If you feel the need to get advice, talk to your CPA or some type of financial adviser. Have them evaluate your operation and listen to their advice.

Examine Your Own Results

It is not difficult to look at your own operation and see how well you have done merchandising your crops. Simply divide the total cash received after storage and interest by the bushels sold. Are you satisfied with this number? Does it make your operation profitable over the long run? If yes, then you have a good system that works. If not, then you need to make changes. There is an old saying, "If you keep doing what you've always done, you'll keep getting what you always got." — Author Unknown

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Let's take a look at history. Examine the chart above and see what prices have offered. It is a fact that every year in the past ten, December corn futures have offered profitable opportunities for forward sales and have always closed lower near the end of the contract. Ok, you say that if you stored corn in 1995, you could have sold for over \$5.00 a bushel. Had you stored in 2003 you could have sold at over \$3.00 in the summer of 2004. You can find similar results on beans and wheat. There will always be a couple of years out of a ten-year stretch that it pays to hold on to your grain.

What about the other 8 years out of ten that it did not pay to hold grain into the spring or summer months? It cost! How much money can you make in a ten-year period if you make money two years and lose eight years? Go figure. I think you will discover that in the long haul storing grain for price improvement is a failed strategy.

More Bad Things Happen to Grain in Storage

The reality is that selling ahead pays in the long run. The reality is that storage does not pay in the long run. Think about those years where you held grain until July, August, or even September. Think about the storage you paid. Think about the interest you lost either by not paying off loans or by not having money on savings. If you stored in your own bins, you may have experienced some loss due to quality.

Only one good thing can happen to grain in storage. The price can go up. Think about all of the bad things that can happen! It loses weight if you aerate it. If you don't aerate it, then you have trouble with damage from mold or just plain old rot. Insects like to chew on it. We know because we have to deal with those things here at the elevator. More importantly, the price can and does go down. If it is in commercial storage, it costs money to hold it. The list goes on and on.

Focus on Profit, Not Price

We are not against you storing grain on the farm but we want you to market it in a way that will help you pay for your storage and make you a profit. So, whether you deliver in the fall at harvest or store it at home in your own bins, selling it ahead results in more profit in the long run. Nothing makes us sadder than to sit down with people who hold on to grain for eleven months, pay storage, lose interest and sell for a price that is below the cost of production.

This pattern of marketing spells trouble for those who continue to hold grain and chase the markets. On the other hand, nothing makes us happier than to pay profitable prices for grain when current prices are low. We can only do this if you forward contract ahead. So, whether you sell at harvest or prefer to place your grain in your own storage for later sale, we are prepared to offer you a price for any delivery period that best fits your financial needs.

Deferred Payment

If you have a situation where you prefer to take income in the calendar year following harvest, we can accommodate you with a Deferred Payment Contract. With this contract you can deliver your grain at harvest and collect for it the following January, allowing you to defer this income to the next year. You will have to sign this contract ahead of time either at harvest or tie it to a forward contract that you make earlier in the year. According to the IRS, this is perfectly legal.

Think About Making Changes in Your Marketing Strategy

Speaking of change, it is amazing how growers have embraced all of the new technologies associated with grain production. Equipment is larger, faster, more comfortable, enabling crops to be planted in a fraction of the time it took forty years ago. Use of different fertilizers and minor elements has contributed to much higher yields. Chemicals for

weed eradication and protection from insects have made big impacts. The new science of biotechnology has made enormous contributions to yields and specialty grains.

On the marketing side, too many growers still cling to the idea that holding grain will produce higher prices. Occasionally it will but more often it won't.

How can you become a successful marketer? The first thing you have to do is examine what you are doing. Ask yourself this question. Am I making a fair profit on my investment? If you answer no, then you need to change what you are doing!

History confirms the fact that selling ahead beats storing grain. If you don't believe this, look at your own sales and compare them to what you could have sold for on a forward contract. Come by our office and we will show you actual prices you have received or could have received by holding grain. We will also show you what you could have sold ahead for.

Just call us for an appointment. We will be happy to give you a history of your past sales and show you the opportunities of selling ahead. Unfortunately, we can't change the past but we can help you change the future. History is a good teacher. Using target contracts and forward contracts will change your financial status.

News and information are important, but not nearly as important as understanding your own operation. Long-term success can only be achieved by having the discipline to place targets at profitable levels, year after year. Ask yourself this question, "Whom do you believe"? Are you distracted by the "noise" from the so-called "experts" or are you listening to the person "in the know"? Respect yourself. Have the discipline to sell the majority of your grain ahead, at a profitable level. Be aggressive. Enjoy the results.

It's Hard

It is hard to forget, to apologize, to save money, to be unselfish, to avoid mistakes, to keep out of a rut, to begin all over again, to make the best of all things, to keep your temper at all times, to think first and act afterwards, to maintain a high standard, to admit error, to take advice, to forgive, to change, **to sell grain ahead at a profit. But it pays!**

Simplicity

“Work hard to keep things simple. Simple solutions solve complex problems; complex solutions rarely accomplish anything.” — Crag O. McCaw

Action

“There are risks and costs to a program of action — but they are far less than the long-range risks and costs of comfortable inaction.” — John F. Kennedy

“High achievers spot rich opportunities swiftly, make big decisions quickly and move into action immediately. Follow these principles and you can make your dreams come true.” — Dr. Robert Schuller



Change

“Anything I’ve ever done that ultimately was worthwhile...initially scared me to death.” — Betty Bender

“The most damaging words in the English language are, ‘IT’S ALWAYS BEEN DONE THAT WAY.’”
- Adm. G. Hopper

"If you have always done it that way, it is probably wrong." - Charles Kettering

"If you don't like the way the world is, you change it. You have an obligation to change it. You just do it one step at a time." - Marian Wright Edelman