

# Farmer's *Corner*



July/August 2017

Number 4

## How to Stop Being Wrong on Your Grain Marketing

Let's face it; if your marketing goal is to sell all the bushels at the highest possible price, you'll always be wrong. Once you sell, 1 of only 2 things will happen: either the price will be higher than when you sold it or the price will be lower than when you sold it. If the price goes higher, you feel wrong that you sold what you did. If the price goes lower, you feel wrong because you didn't sell as much as you could have. So, if you're going to be wrong either way, what's the point?! It's a life of frustration.

### **But it doesn't have to be.**

If you judge your grain marketing success on how prices change after you sell (or don't sell), you're setting yourself up for failure. Ultimately, farming has way too much overhead for that to be the standard of success. You could do that with just a futures account and no land, equipment, inputs, or labor. **Making money growing crops and making money on grain price movement are two completely different businesses.**

As someone making your money from raising food that feeds the world, marketing success has to be defined by selling grain in a way that covers your costs and pays you a reasonable return above those costs. Doing this consistently allows your business to grow and provides consistent, long term, multi-generational financial support.

When you judge market success by profitability, you take most of the guesswork out of the picture. If you're selling based on price movement you have to guess, and as stated at the beginning of this writing, you'll be wrong one way or another. Selling based on profitability is freeing and allows you to focus on what your real business is: growing the best crops with the best yields you can get. Spending more time on quality and yields will impact your bottom line in a much more meaningful way than guessing on prices and beating yourself up when you are wrong because prices move in one direction or another.

### **Profitable Selling for the Right Delivery Time**

Two of the main reasons grain gets sold are logistics (harvest, not enough space, need to empty out space) and cash flow. If you know you are going to be up against the same logistics and cash flow crunches at the same times each year – and the percentages don't change much no matter how many years you look at - why not take some steps to control the outcome?

Consider the following charts on the right of USDA statistics on the portion of the crops sold by month.

Again, these charts are not a case for you to change the delivery slots in which you sell your grain. The reason more grain moves at certain times of the year are unavoidable (harvest, loan payments due, tax reasons, another crop coming). However, you can plan ahead for these events and make sure you are selling those delivery slots when there is profit to be had. Unfortunately, the lion's share of what gets sold during these logistic and cash flow crunch times of the year are at the spot price of the day. Taking what the market gives when the market is already getting flushed with grain isn't usually the best selling opportunity.

In conclusion, make a plan based on profitability that is tailor made for your operation. Your local grain elevator can be a valuable resource for this to help you not only know what you can sell for different delivery slots, but also your personal history of when you sell your grain. With this, you can target good profitability for all your bushels at the times of the year that best fit your exact operation. You'll be locking in profits that you choose rather than whatever the market gives you when you have to sell. Lastly, you'll be able to remove some of the price chasing anxiety and focus on improving your crop's production quality and yields.

Marketing will always be a challenge, but it's easier to be right when you are using the right measuring stick to judge results.

