

# Farmer's Corner

"Helping The Producer Sell Better"



January/February 2006

Number 1

## 2005 is Behind Us - Let's Look Forward to 2006!



It's **sad** to say . . . but true . . . that most farmers are not ready for a rally to occur.

It also **sad** . . . but true . . . that if a rally were to occur, many farmers across this nation would miss out on the high prices that become available during a rally.

And storage . . . a **sad** but true marketing alternative that so many farmers are involved with – costing farmers up to 50¢ per bushel and more per year.



On a happy note . . . there are a number of farmers across this great land that do a great job of marketing their crops. They are ready when a rally occurs – they know their costs – they know what price they need to make a profit and they sell ahead.

This year those proactive farmers who forward contracted their crops at good price levels way before harvest (and received a government payment at harvest), made great profits.

And yes, there were some who could not deliver, but they were also in good shape – forward contracting between \$6.00 and \$7.50, they could either buy the contract back at harvest and make a couple dollars on those forward

contracted bushels, or they rolled that contract forward to the next year and have an even better forward contract for 2006.

These farmers are happy folks today – and looking forward to the next harvest.

Where do you stand? Are you ready for a rally?

*Did you know that you can enter a Target Contract in Chicago for 3 years out?*

*Did you know that DEC<sup>06</sup>, DEC<sup>07</sup> and DEC<sup>08</sup> corn have all traded above \$2.60?*

*Do you know that rallies generally occur in the spring time?*

### Why Sell Ahead?

Forward Contracting produces better long-term results.

Having grain sold at good prices before harvest means that government payments (if applicable) make a good price even better, instead of making a bad price a little higher.

Selling ahead means you're selling because a good price is available, not because bills are due.

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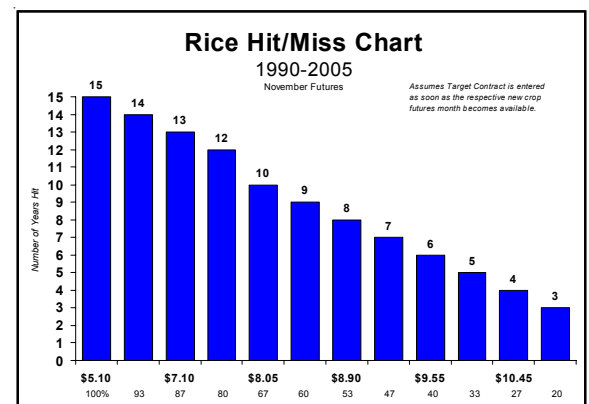
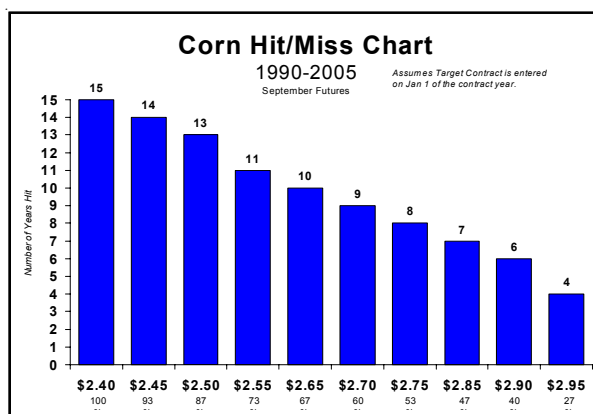
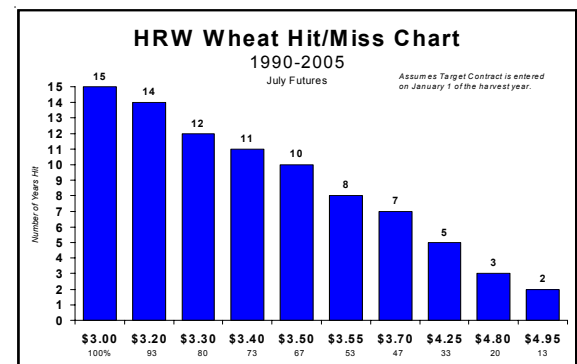
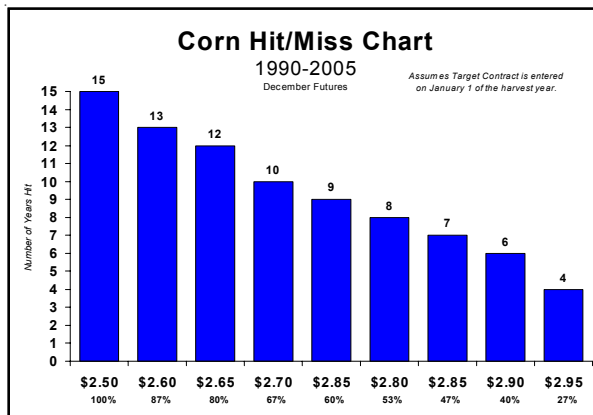
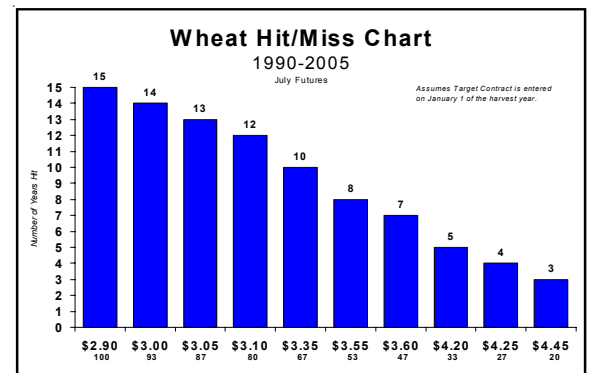
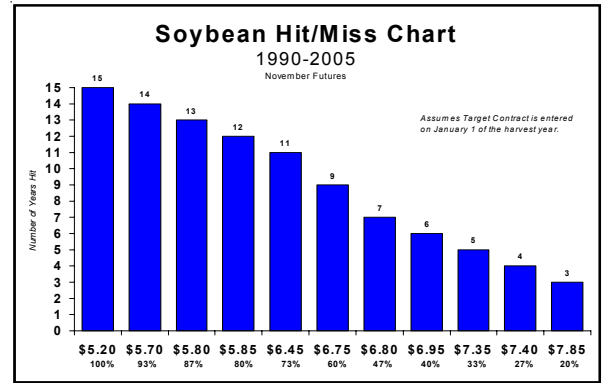
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# Why Use Target Contracts?

A firm written offer means you're in the market and ready to take action at any time, not just when you're near a quote machine.

## Things to Consider When Entering Target Contracts

- b Is the target price reasonable? If you enter a Target Contract far above normal market levels, you are unlikely to do any good and you may miss more realistic opportunities.
- b If you are anticipating above average yields, you may be able to achieve a good profit margin with a target at a lower price.
- b Are you offering enough of your crop to make any real difference if your target is hit?
- b Scaling targets can increase your opportunity. For example, if your profit per acre goal is \$50, you might enter targets to sell 20% of your production at \$30, 20% at \$40, 20% at \$50 and so on. This will give you a better chance of getting some bushels sold at a price you can live with.

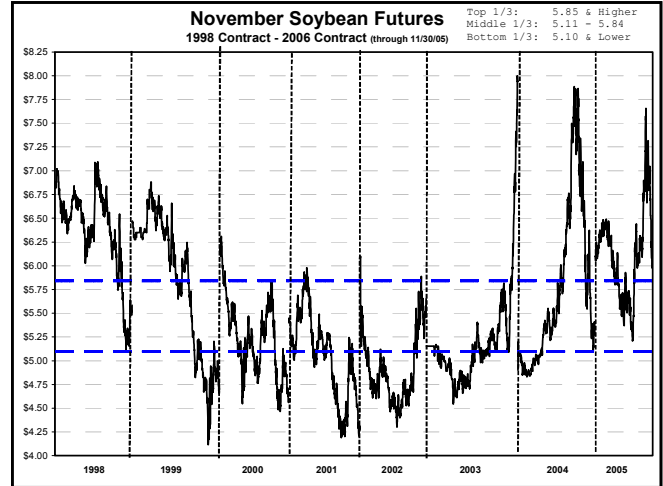
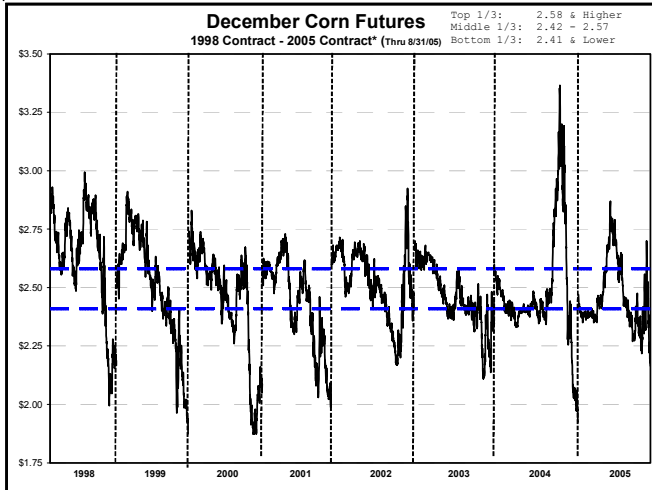


# To Our Customers Who Are Still Storing Grain:

We want to help you. We (the local grain elevator) cannot succeed unless you (the farmer) succeeds. Yes, we do receive income when you store grain at our elevator, but we do not believe that storage is in your best interest.

Can you remain profitable storing grain year after year (which usually results in selling much of your grain in the bottom third of the market)? The answer is “no”. But you can stay profitable if you consistently, year after year, sell your grain in the Top Third of the Market.

Please come in and talk with us about how we can stop your price risk on old crop grain and let’s get a plan put together for new crop. It’s time to put last season behind us and start looking to the future.



## What Separates Consistently Profitable Farmers from the Rest?

### Consistently Profitable Farmer . . .

- . . . do their planning early.
- . . . know their costs of production.
- . . . know the price they need to lock in a reasonable, profitable margin.
- . . . are ready to pull the trigger with no regrets when that price is available.
- . . . reach their goals.

### The Rest . . .

- . . . don't have a specific plan.
- . . . haven't crunched the numbers.
- . . . want to know "what the price is going to do."
- . . . don't want to lock in a price because they're afraid it might go higher.
- . . . leave it to chance.

### Put 2005 Behind . . .

Complete the Target Price Formula today and enter an order to sell your anticipated 2006 crop - and beyond!

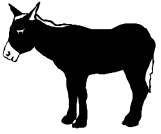
#### Target Price Formula

$$\frac{\text{Cost per acre}}{\text{Total Dollars needed per acre}} + \frac{\text{Desired Profit per acre}}{\text{Average Yield per acre}} = \frac{\text{Total Dollars needed per acre}}{\text{Target Price}}$$

# Farm Marketing Zoo



Once again . . . the following animals have been spotted wandering around the farming communities all over the country.



**Mules . . .** Can never make a decision. Always bullish. Sell when they need money. Blame CBOT traders when markets fail to rise.

**Chickens . . .** Always afraid to make a decision. Afraid to sell at profitable levels because the market could go higher. Sell at the bottom because they think the sky is falling. Know their costs, but are afraid to act.



**Goats . . .** Hardheaded. Wants to do it the same way their father did. Hold grain in bins until money is needed.

**Kangaroos . . .** Always jumping from one strategy to another. Has two quote machines and six advisors. Always looking for the ultimate marketing program. New scheme every week. No long-term plan.



**Tigers . . .** Focused! Not distracted by all the commotion around them. Good planners. Know their cost of production. Expect to make a profit and enter target orders to sell 100% of their expected production. Generally sell ahead, sometimes even before planting. Looks for opportunities to get crops sold for more than one year.