

# Farmer's Corner



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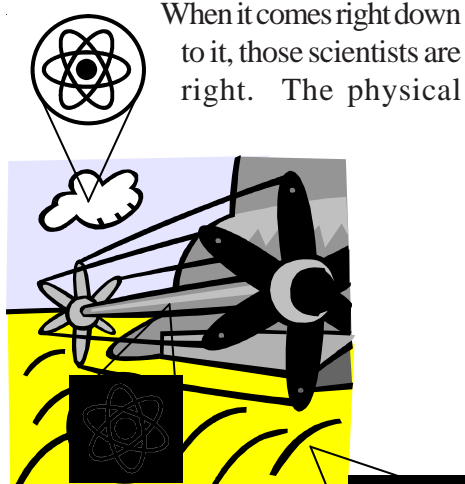
## Finding Simplicity in a Complex Environment

Scientists who study the makeup of things tell us that everything we can see is really an illusion of sorts. Consider a kitchen table, for example. We might look at it and see that it is made of oak, is oval in shape and is a certain shade of brown.

Those scientists would tell us that the true nature of the table in question is revealed on the molecular or even atomic level. The table we are seeing is really a collection of tiny particles vibrating in place and absorbing all of the visible light spectrum except a certain shade of brown.

You might exhale on a cold winter morning and see your breath as a sort of cloud. Again, our scientist friends would remind us that what we are seeing is much more complex than that; it is another collection of tiny particles, this time whizzing around at high speeds, slowed down somewhat by the temperature in this case (otherwise you could see your breath all the time), and

absorbing all the visible light spectrum except for a few grayish white parts of it.



world is a complicated place, made up not of trees and dirt and air, but of collections of tiny particles vibrating and/or moving at various speeds, and absorbing or reflecting various parts of the visible spectrum of colors.

Actually, particle movement and color absorption are just a tiny bit of what's

really going on around us. There are interactions between particles, chemical bonds being formed and broken, and many, many other things going on. The things we see, touch, and interact with in the world around us are really just the manifestations of that activity.

Now comes the big question: "So What?" It does no practical good, produces no change for the better to start thinking of our oak kitchen table as a collection of vibrating atoms. We don't think about things in molecular or atomic terms simply because it doesn't do us any practical good to do so. It makes much more sense in daily life to refer to a table as a table, a tree as a tree, a shirt as a shirt, and so on. There is nothing of practical value to be gained by analyzing everything we see in terms of its molecular makeup.

By now, the parallel between this and the approach of many to marketing is beginning to emerge. Grain prices, on the surface, are just numbers. Below that, they are really the product of myriad factors on the local, national, and international level: current events, weather patterns, political factors, news, the lack of news, speculation, emotion, the list goes on and on.

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The inevitable conclusion that we must come to, however, is the same one we come to with atoms and molecules. There are lots of things going on under the surface, but it just isn't very practical to think of things in those terms.

Let's face it. Farmers have to sell a crop once they grow it, and analyzing market news and information is just not the most effective way to do that. Even those "gurus" who make a living by studying markets aren't all that successful at predicting prices. For every story you hear about how so-and-so's advice was right on the money, there's another about so-and-so was completely wrong.

Think of all the times that whatever price direction would have "made the most sense" wasn't the direction that prices went. There are so many factors affecting price movement that even the

most seemingly clear crop report, news event, weather event, or whatever simply doesn't produce the expected result.

During winter, when the sidewalk freezes over, very few of us take time to consider the molecular and chemical changes in water that make it become ice. That just isn't practical or useful to us in our task of getting from the house to the car. Instead, we focus on avoiding ice where possible and maintaining balance when we must walk on it.

When, the market moves up or down on a given day, however, the temptation is to abandon the practicalities and focus on the causes. "What's the news that caused the price to move so much? Which country bought a bunch of grain? What are the funds doing?" Not only does nobody really have a clue, but once the price has moved it's all historical anyway.

Imagine doing that with ice on the sidewalk. "Why have those water molecules started moving more slowly? When exactly did these H<sub>2</sub>O molecules slow down enough to become a solid?" Meanwhile, the more practical and relevant question is "Will I remain upright and make it to the car?"

Grain marketing has similar practicalities that must be attended to. Five or ten years from now, having remained on your feet will be much more important than knowing what made a certain commodity price behave a certain way.

In all the hype surrounding price movement, analysis, and prediction, don't forget to keep the practical needs of grain marketing foremost in your thoughts. Your most important marketing job is to consistently sell grain at a price that is good for YOU.

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## What Is A Good Price?

Everyone has some kind of guideline, some kind of "ruler", for deciding what a good price is. How meaningful that ruler is makes all the difference in the world. If the ruler isn't meaningful, then the definition of "a good price" isn't meaningful to any great degree either.

We believe that there are only two consistently meaningful guidelines for determining whether any given price is a "good price".

- 1. What profit per acre will this price return to me?***
- 2. Is this price consistently achievable?***

Any other ruler is comparing things that aren't really meaningful when you look at them closely. Some other rulers may be things like:

*How does this price compare to yesterday's price (or last week's, last month's, last years')?*

*How does this price compare to the best price I ever sold for?*

*How does this price compare to what I (or my advisor, or a farm magazine, or website) expect the price to be later?*

When you break these questions down, it becomes clear that they don't really have much substance. All they are really doing is comparing one price to other prices. They never address the important question, which is "What does this price mean to me in terms of return on my investment in this crop?"

When you use one of these less meaningful guidelines, there is no

consistency because the rules are always changing. For example, the definition of a "good price" has probably changed drastically between 1996 and today, or even January and today, according to the less-meaningful guidelines.

Imagine trying to measure wood for a birdhouse with a ruler whose dimensions are different every time you pick it up; sometimes it shows twelve inches per foot, sometimes twenty, and sometimes three. It would certainly be very difficult, if not entirely impossible, to put together a well-made, stable birdhouse using that ruler as a guideline.

On the same note, it's hard to put together a well-constructed and stable marketing plan if your guidelines for picking a selling price are always changing.

They are open-minded

They make decisions based on facts rather than emotion

They are willing to look into the future to obtain a profitable price

They stay focused on selling at a profit

They recognize opportunity

They look at margins rather than what price they sold for or didn't sell for

They view prices going higher after they sell as an opportunity to sell more, not a loss for selling too low

They are willing to listen

They are independent thinkers

They don't feel the need to hit a home run

They don't seem to care what their neighbors sold for

They have a clear, written marketing plan

They are aggressive sellers

They are proactive

They pull the trigger when their goals are reached

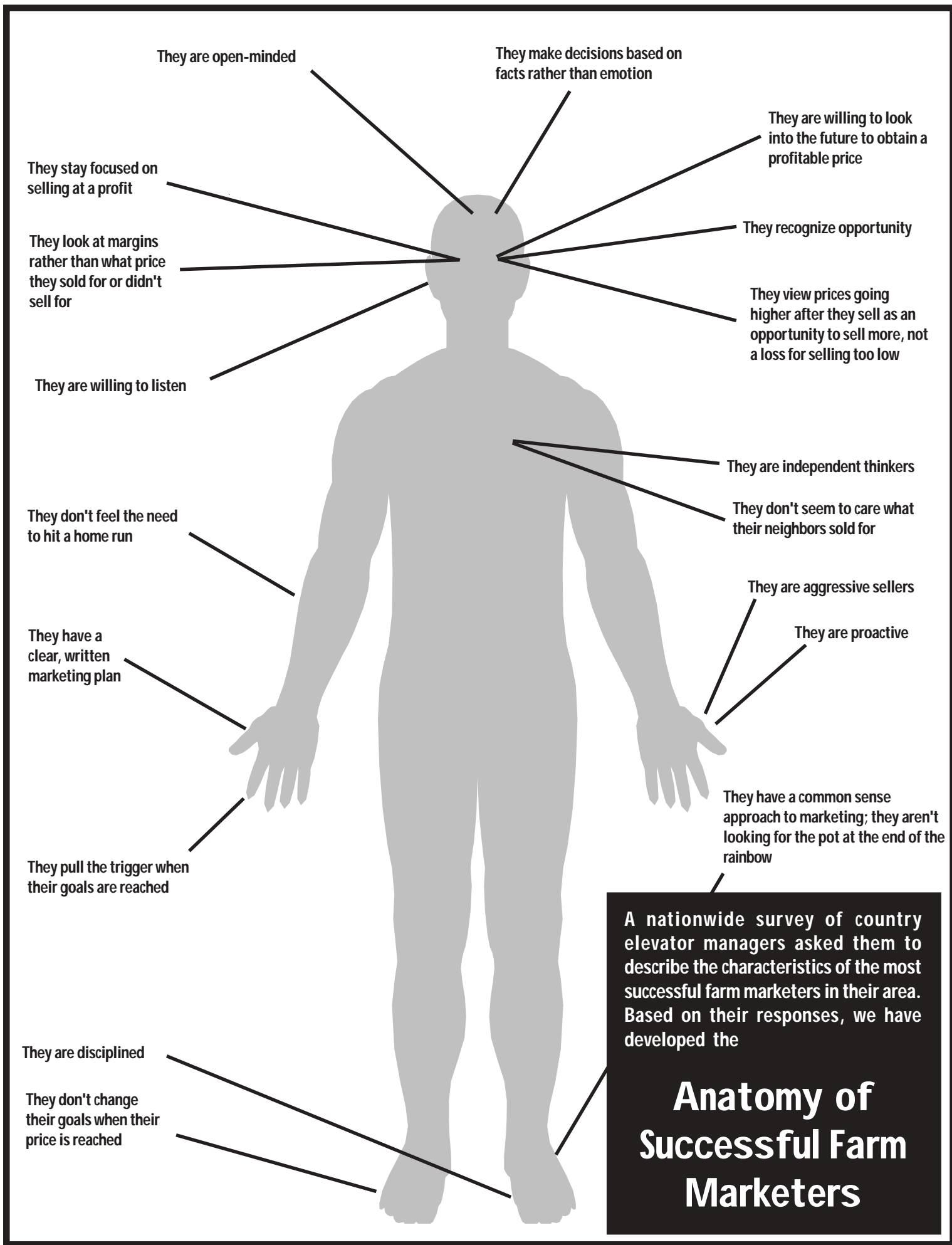
They have a common sense approach to marketing; they aren't looking for the pot at the end of the rainbow

They are disciplined

They don't change their goals when their price is reached

A nationwide survey of country elevator managers asked them to describe the characteristics of the most successful farm marketers in their area. Based on their responses, we have developed the

## Anatomy of Successful Farm Marketers



# WHY

## We Offer the Contracts We Offer



Why do we offer certain contracts and not others? Why are we so adamant about staying away from certain marketing alternatives, even if some other companies do offer them? The answer is simple; it's because we live here too.

We believe that we have a responsibility to ourselves, to you — both as a customer and a neighbor —, and to the rest of this community to contribute to the financial strength and stability of this community as best we can. That means staying away from any contract that involves an unnecessary and unacceptable level of risk for either you or us. The best thing that can happen to our community is for all of us to operate profitably over the long term.

We have a simple method of choosing which marketing alternatives we offer; we only use the ones that are good for both of us. If a contract is only good for one of the parties involved, in the long run it isn't really good for anyone.

Our goal is to create a win/win/win situation — win for you, a win for us, and a win for the community that we share as business associates, friends, and neighbors.