

# Farmer's Corner



March/April 2009

Number 2

## Something Solid

As we navigate uncertain times, it becomes more and more important to have an anchor - something solid to serve as a foundation for viewing events; something to come back to for perspective when things get topsy-turvy.

For grain marketing, that anchor has to be something simple. There is so much volatility in commodity prices, and so many distractions created as a result, that the only way to get to a place where you are confident taking action is to get back to one simple idea.

That idea is the bedrock of success in any business, and it is so simple that it can be easy to dismiss or overlook when the market is moving rapidly in all directions.

Put simply, it is this: you must sell grain for more than it costs you to produce it. To be successful and stable over the long term, you must do this repeatedly.

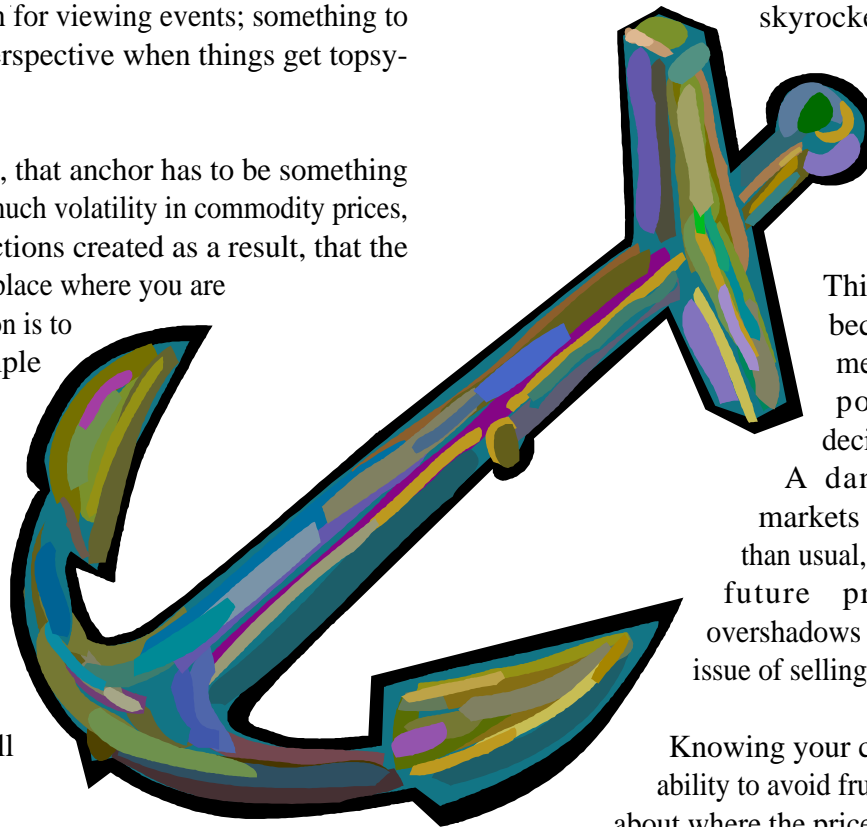
One of the positive things that has come from all the upheaval we've been facing is that, thanks to skyrocketing input costs,

more producers than ever have a good idea of what their costs of production are.

This is a good thing because it provides a meaningful reference point for making decisions about prices.

A danger of volatile markets is that, even more than usual, a focus on past and future price movement overshadows the more important issue of selling at a profit.

Knowing your costs gives you the ability to avoid fruitless conversations about where the price has been or might be going, and have a more productive conversation about what price you need to provide a profitable return on your investment in the crop.



The market is not guaranteed to provide you a profit, and knowing your cost doesn't make the price move in your favor. What it does do is give you a meaningful way to measure the value of prices on a given day.

Rather than looking at prices in terms of where they have been, or where they might be, or what someone thinks about how they will move in the future, you can look at any price and with a few quick, simple calculations, determine what it means to you in terms of return on your production costs.

Marketing is your single most difficult job, and the market events of the last several months have done nothing to make it any easier. Price swings happen faster than ever, and so it's vitally important that you take some kind of positive action.

As we always have, we recommend Target Contracts as a way to put your plan for profit into action. Selling grain has a strong emotional aspect. A year ago, if you sold it felt like you should have waited. This year, so far it feels like you shouldn't have waited.

Settling on a profit goal and entering Target Contracts to achieve that goal, and doing so repeatedly, crop after crop, helps remove some of the emotions of marketing and ensures a more stable outcome over the long term.

We'd like to help you in this process. Our success is closely tied to yours, and our community will be stronger when we can work together for mutual profit.

Please call or stop by to enter Target Contract and/or talk about putting together a marketing plan.

## TARGET CONTRACT

I, \_\_\_\_\_, offer to sell  
\_\_\_\_\_ bushels of  
\_\_\_\_\_ to \_\_\_\_\_  
at a price of \$ \_\_\_\_\_ per bushel.

Delivered To: \_\_\_\_\_

Delivery Period: \_\_\_\_\_

\_\_\_\_\_  
(Producer) Date \_\_\_\_\_ 20\_\_

\_\_\_\_\_  
(Elevator) Date \_\_\_\_\_ 20\_\_

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