

# Farmer's Corner



November 2003

Number 11

## Now Stuff, Always Stuff & Seldom Stuff

All of us--truck drivers, housewives, football players, farmers, and everyone else--have stuff to deal with. Every day, we discover some new stuff and remember some old stuff, finish stuff and start stuff, get stuff done and leave stuff for another day.

The hard part is, figuring out which stuff is important and which stuff can be left till later, which stuff deserves more attention and which stuff can make do with less.

In an attempt to make all this stuff a little simpler, we've grouped it into three different categories.

**Now Stuff** - the stuff that's happening right now and has to be dealt with.

**Always Stuff** - the stuff that never really changes or goes away.

**Seldom Stuff** - the stuff that might happen, and will turn into serious Now Stuff if it isn't planned for ahead of time.

Each type of stuff demands two questions:

1. How am I going to deal with this stuff? (In other words, what if anything do I need to do about it, and how soon?)

2. How much should I let this stuff affect my attitude and actions about other stuff?

Let's take a look at some situations that come up in cash crop marketing to see what kind of stuff they are.

**Situation 1:** You sell a crop 6 months before harvest because the price for new crop delivery will return all your costs plus \$85 per acre profit.

This falls under the "Always Stuff" category. You need to operate profitably to keep farming. The answer to question 1, "How am I going to deal with this stuff?", is ideally that you will be aware of what a profitable price is

and take steps to lock that price in when it is available. The answer to question 2, "How much should I let this stuff affect my attitude and actions about other stuff?", is ideally that since farming profitably is Always Stuff, it will take priority over other stuff.

**Situation 2:** A few months after you sell, the market has rallied considerably. You are really wishing you hadn't sold when you did.

This is "Now Stuff"; it is real and has to be dealt with. The answer to question 1 in this case is up to you. You might sell more if you have any left to sell, you might look for opportunities for next year, or you might not do anything except regret your earlier sale.

The answer to question 2 is very important in this case. If your response to this situation is "I'm never going to sell that early again", you are letting Now Stuff interfere with Always Stuff, and that can be very dangerous.

### IN THIS ISSUE:

▫ Now Stuff, Always Stuff & Seldom Stuff ▫ Don't Let Now Stuff Distract You From Always Stuff

▫ What's Your Marketing Profile? ▫ Coffee Shop

continued from page 1

**Situation 3:** You have a crop shortage and are unable to deliver all of the bushels you contracted 6 months ago. The price is up and you are faced with having to buy out of the contract.

This is "Seldom Stuff." A situation in which a farmer forward contracts more than he is able to deliver is a rare occurrence. This isn't to say that it isn't worth considering. On the contrary, even though "Seldom Stuff" doesn't happen very often, it can be very dangerous.

The answer to question 1 in this case is to plan ahead to stop these kind of problems before they start. Minimum Price/Options coverage and other kinds of production insurance will help to negate the effects of a contract shortfall on those rare occasions they do occur.

The answer to question 2 is difficult, but important. You can't let the fear of seldom events get in the way of your constant, unchanging need to lock in a profit when you can.

Harvest time, selling before the rally, selling after the rally, and cash flow needs are all great examples of Now Stuff. They come up, use your time and energy, and have to be dealt with.

Planting, harvesting, and the need to grow by operating profitably, and the simple act of selling grain fall into the Always Stuff category. This is stuff that is constant, essential, and always important, no matter what else may come up.

Crop failures and contract shortfalls are Seldom Stuff. They don't happen often, but can be very serious when they do. Fortunately, they can be planned ahead for.

## Don't Let *Now Stuff* Distract You From *Always Stuff*

Recent market volatility has certainly provided us with more than our fair share of distractions. It's hard, but very important to remember during times of volatile prices that they are temporary. Meanwhile, the need to sell grain at a profit is permanent, and in the long run the only thing that will make the difference between success and failure.

Take the time to look at prices for next year. Even as all the focus has been centered on what's going on right now, 2004 prices have been getting better little by little.

It's not too early to enter Target Contracts for 2004 crops. Don't let the Now Stuff of the current market volatility distract you from the Always Stuff of selling the 2004 and beyond crops at profitable prices.

If the Seldom Stuff of non-delivery is a concern for you, talk to us about how you can build non-delivery protection into your forward contracts.

### TARGET CONTRACT

I, \_\_\_\_\_, offer to sell  
\_\_\_\_\_ bushels of

\_\_\_\_\_ to \_\_\_\_\_  
at a price of \$\_\_\_\_\_ per bushel.

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

Delivery Period: \_\_\_\_\_ Harvest 2004

\_\_\_\_\_ Date 11/01 2003  
(Producer)

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

# What's Your Marketing Profile?

We've done some thinking about the different kinds of marketers that we encounter. There are probably just about as many opinions and approaches to marketing as there are farmers, but when you take a closer look at the basis of each approach, just about every marketer falls into one of four categories.

The first thing that determines a farm marketer's category is his or her point of focus:

## Marketing Points of Focus

**Profit (Always Stuff)** - marketers who are focused on profit are interested in the return on investment that any given price will give them. They spend little time checking prices and pay little attention to "professional" market analysis.

**Noise (Now Stuff)** - marketers who are focused on "noise" are interested in day-to-day price movement, and how any given price relates to past prices or what futures prices are expected to be. They are very interested in "professional" market analysis from a variety of sources.

The second factor is approach:

## Marketing Approaches

**Focused** - focused marketers have some kind of stated goal and some kind of plan for reaching it.

**Distracted** - distracted marketers may or may not have a goal in mind, but either have no specific plan for reaching it, or have a plan but are easily drawn away from it by the "noise".

	<i><b>FOCUSED</b></i>	<i><b>DISTRACTED</b></i>
<i><b>PROFIT</b></i>	<p style="text-align: center;"><b>PF</b></p> <p style="text-align: center;"><i>Profit-oriented &amp; focused</i> Has a plan to capture a specific return on investment and is focused on it.</p>	<p style="text-align: center;"><b>PD</b></p> <p style="text-align: center;"><i>Profit-oriented &amp; distracted</i> Has a plan, but is easily distracted from it by price movement, others' opinions, etc.</p>
<i><b>NOISE</b></i>	<p style="text-align: center;"><b>NF</b></p> <p style="text-align: center;"><i>Noise-oriented &amp; focused</i> Speculative; spends time and energy pursuing "as close to the high as I can get."</p>	<p style="text-align: center;"><b>ND</b></p> <p style="text-align: center;"><i>Noise-oriented &amp; distracted</i> No goal at all; spends time listening to others' opinions on "what the price is going to do."</p>

**Which one are you?  
Which one would you like to be?**

# Give Thanks



Once again, we approach Thanksgiving Day with an overwhelming sense of all we have to be thankful for. In lean years and bountiful, good times and bad, we never have to look far to find plenty of reason to give thanks.

We are grateful for family and loved ones, the liberty and accompanying responsibility allowed us by this great nation, the members of our Armed Forces who sacrifice so much on our behalf, the chance to be a part of the industry that feeds America and the world, and the privilege of serving all of you.

Happy Thanksgiving. May this and all future Thanksgiving Days continue to find you with much to be thankful for.