

Farmer's Corner



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Looking Back to Make The Future Better

Now that harvest is practically over most places and the year is winding down, it would seem prudent to examine grain marketing successes or failures in 2005, with the objective of learning from past experiences so that you can bring more dollars into your farming operations through successful crop marketing.

During the course of the last year, the pages of this publication have been filled with proven strategies to help you become more successful grain marketers. Topics have included taking a big-picture perspective and recognizing that successful farm marketing is not the result of any one year's high priced performance, but is the result of achieving consistent, profitable prices year after year.

Readers have been encouraged to measure their marketing success by determining their five year average selling prices and to attempt to improve this meaningful number by accepting higher prices when they are available. You have been encouraged to tune out the noise in the market, to stop listening to the multitude of price predictions and to pay attention to the real expert, yourself. To many, this

requires a fundamental change in marketing practices, as monumental as the huge changes that have been made on the production side of your business in the last few decades.

During the summer when prices were more attractive, these pages burst with encouragement for you to accept the profitable prices available, while limiting further price risk and marketing costs.

You have been reminded that by selling at prices modestly above your five year average price and by subjecting that extra money to the miracle of compound interest, you have the potential to vastly increase your outcome over time. None of these bits of advice are very sensational, complicated or exotic. They probably won't make the headlines in the major agricultural media. Yet, countless crop producers across America are quietly employing these tactics and experiencing measured, steady growth. We hope that you are one of them.

The question now becomes, "What is *your* grain marketing score in 2005?" Before you answer this question, let's take a look at the marketing opportunities for 2005 crops so far.

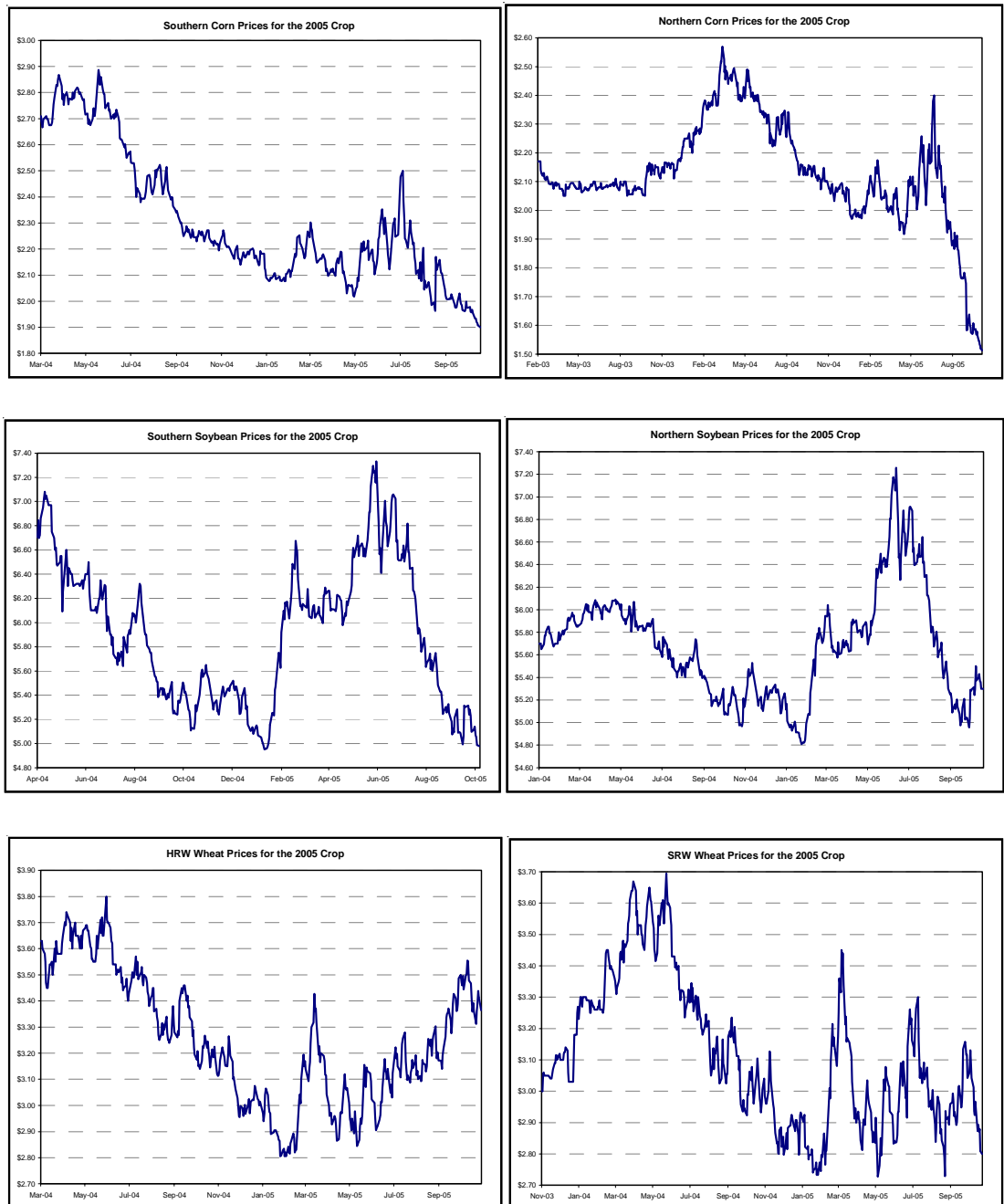
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The charts to the right show cash prices for 2005 wheat, soybeans and corn, beginning when the respective new crop futures contract began trading up to the present.

The prices in areas where harvest is over show after-harvest prices adjusted for the costs of storage and interest. These charts show the general trend of prices for 2005 crops, and are not intended to represent prices for any area in particular.

A casual observation shows that the market has offered respectable prices for all three crops during the pre-harvest part of the marketing season. This is no surprise to the discerning marketer, as the pre-harvest portion of the season has offered the best pricing opportunities in six of the last eight marketing seasons.



2005: A classic year for the Astute Grain Marketer

When good prices were available, many of you locked them in using Target Contracts. Congratulations, job well done! You prevailed in a classic year that included the normal opportunities, challenges and distractions. We might say that a classic year for the grain marketer includes the following:

1. Good forward pricing opportunities
2. At least one weather scare
3. Predictions of higher prices (market noise)
4. Good crops in general
5. Low prices at harvest

These conditions happen almost every year and 2005 was no exception. We know that it is difficult for you to deal with these circumstances and to remain on track with your marketing program. Often, when the best pricing opportunities are present, your growing crop may be under stress and the price predictors are calling for prices to go through the roof. We notice that those who rise above these challenges have a good grasp of the five points listed above. They know that these conditions are normal.

Profile of the Successful Marketer

Again, our objective is to help all of our customers acquire grain marketing skills that are as good as their crop production skills. From our perspective as country elevator operators, we have the privilege of working with many producers and observing a wide range of marketing habits. We notice that those who consistently sell for the highest prices have some common characteristics that we would like to share. Their qualities include:

1. **They see the big picture...**they reflect on the past and plan for the future.
2. **They are aware of their marketing opportunities...**they know that good pricing opportunities are available during every season for those who plan ahead.
3. **They have buried the desire to hit a marketing home run...**they recognize that making consistent sales in the top third of the market yields consistent profits, they don't strive to hit market highs.
4. **They have conquered the grain marketer's two greatest enemies: Fear and Greed**
5. **They are oriented toward taking action...**they enter targets every year.
6. **They are happy at harvest.**

Being a member of this unique group of folks is no accident. Good crop marketers are not born that way; they become good marketers by design. It takes commitment, perseverance and extreme dedication. Our intent is to help you, our valued customers, become the best you can be as we work together in marketing your crop production.

What can be done with grain that has not been marketed?

If you have already marketed 2005 production, your attention has turned to 2006 and 2007 marketing opportunities. If you have not marketed 2005 production, we have learned that it will be difficult for you to focus clearly on future production until you have disposed of 2005 crops. We suggest marketing these bushels in the most positive way possible. Storing the grain in your space or in ours comes with risks and costs to you. The risks are lower prices and losing grain quality. The costs are storage, interest and anxiety. The market provides tools to deal with most of these negatives.

Stay-in-the-Market Contract

Many producers have the constant desire to be "in the market" or to own some grain that will appreciate in value when the market price moves higher. This seems to be a common desire among farmers. The problem is that meaningful market rallies seldom occur and last for very short periods of time. History will substantiate this observation. Owning cash grain for increase in the price often results in the price going sideways to lower, while storage and interest costs continue to add up. Each year, millions and millions of dollars are extracted from farming operations by this phenomenon. This need not happen. At any given time, the crop may be sold, removing the risk of lower prices, eliminating storage costs and stopping interest costs, while benefiting from rising prices, if they occur.

This is accomplished by what we call a Stay-in-the-Market contract. You sell us your grain and take your money and we keep you in the market by buying an option on a futures contract. Many of you are acquainted with these tools, sometimes called Minimum Price contracts. We own the option, but write you a contract that spells out your right to benefit from market increases above a certain level in the futures market. In exchange for this right, you must pay a fee that gives you a certain period of time in which to be in the market. This fee is normally less than you would expect to pay

for storage and interest for an equal period of time. The longer the period of time you want to be in the market, the higher the fee. The most economical contracts are those written for short periods of time.

In fact, we think that buying shorter periods of time makes the most sense for several reasons. Buying long periods of time is very expensive and may be more time than you need. Also, if you purchase only a short period of time and the price drops and the contract expires worthless, you may opt to go with another contract, getting in the market at a lower price for another short period of time at a reasonable cost. We are able to offer you contracts month to month, at reasonable costs. Another reason to buy short periods of time is that this keeps you attached to a nearby futures contract, which historically shows the most promise during substantial rallies.

The market is your friend, providing consistent selling opportunities every season, for those who are aware, have good marketing skills and seek to manage their risks. For those who choose to pass on the time-proven early marketing season opportunities, the market offers products to limit risks and costs, helping the producer to capture any potential opportunities in the final segment of the season.

It's Never Too Early To Plan for Success



No doubt many producers have already begun planning for the 2006 growing season. We hear producers talking about higher input costs forcing them to carefully examine their crop mix and to make prudent adjustments. At this point, we don't know what 2006 will bring, possibly the mix between crops will be different, but we are sure of one thing...the acres will be planted, bushels will be harvested and much marketing is yet to be done.

We expect the usual buzz of activity near the end of 2005 as you make crop plans for 2006 and secure crop inputs for the upcoming year. Many producers purchase seed, fertilizer and herbicides and lock in costs as much as possible. Some may reevaluate their farming practices and make equipment purchases. All of this activity has one purpose: to achieve the lowest possible cost of production. Your efforts in this area have helped you to become the most efficient crop producers in history. But this is only part of the picture.

The other part of the picture is marketing the crop. Your challenge now is to become the best marketers in the world, so that you may be reliable producers in the world community. Some producers already have a plan in place and have made sales. If you have not given attention to marketing 2006 production, what better time could there be than now, when you get crop production plans together? Now is the time to project 2006 crop production and to get Target Contracts entered. We don't know when good marketing opportunities will occur, but we do know that only those bushels that are offered to the market will be sold.

Thanks for your business! We look forward to being your grain marketing partner in 2006.