

Farmer's Corner



March/April 2015

Number 2

5 Essential Habits of Farm Marketing

The word habit has sort of a negative connotation. We could make long list of negative habits. What pops into your head when you think of good habits? Exercise and brushing your teeth? Developing good habits for farm marketing takes even more thought. **If you ask yourself what a good farm marketing habit is, you might be lost for a few minutes.** I offer you my top five.

Planning

It's no fun and neither is exercise. Planning is the healthy part of marketing just like exercise. Planning involves estimates with lots of numbers. There is no glamour or excitement. Planning involves knowing **how much grain you need to market** as well as your **cost of production**.

Then you have to **plan for a realistic goal**. This is the heavy lifting part of the habit. There doesn't seem to be a year when this is simple. We are forming habits of consistent marketing so look at the potential each year and formulate a **realistic objective**. **Selling it on the high is possible but not probable.**

Good habits are derailed because a year comes along where prices stay below production cost. That derails your planning and then the habit is lost.

Study Your Marketing Options

A lot of times the best marketing options are never utilized. **Simple is best**. Target Offers are cheap (actually free) and offers your grain to the market whenever it is trading. Most elevators offer some form of Minimum Price Contract that takes away the risk of non-delivery and sets a floor price allowing you to capture increases in the market. This is not without a fee, but it eliminates risk and many times is cheaper than paying for storage or price later.

Other contracts create risk in the shadows that is hard to manage. For example, the simple Basis Contract becomes a bit complex when it involves more than one futures month during its life span. The common storage contract increases your cost and leaves you subject to the downside of the market.

Get in the habit of studying and learning how each contract works to your advantage and where the risk might be incurred. What appears complicated is just unfamiliar. A little study can make a huge difference.

Be Decisive

Bad Habit alert right here! Putting off making decisions is a decision within itself. **So many dollars have been lost due to folks changing their minds when the market closes in on their targets.** We want to watch the markets. Watching the markets takes a toll on you mentally and is really just a state of indecision. We usually live just fine with the decisions we make. The anxiety is in dealing with making the decision. The market is always trending upwards, sideways, or downwards. It's hard to sell in a down market and it's hard to sell in an up market. **If you have a plan and you understand your marketing options, you'll have confidence to be decisive.**

Time Management

When it comes to marketing, there is a lot of time spent "trying to figure out this market." ***You can spend a lot of time, money and effort on the task of determining market direction.*** The market absorbs market information instantly and adjusts. Out guessing the market is a daunting task of weather prediction and political struggles. It is interesting for some and a possible money maker for the speculator. I'm not sure that the disciplined farm marketer makes much money for his time spent trying to guess the markets.

Think Profit Not Price

Risk Assessment is an important task. As inputs get purchased risk builds on the unpriced grain side of the equation. If grain is growing or harvested, the equation looks even more unbalanced. The equation probably never gets balanced perfectly but focusing on the spread between inputs costs and revenues allows for the marketer to sell at a profit not a price. In years past, lower priced grain sometimes was more profitable than higher priced grain due the cost of inputs. **Always think Profit not Price.**

These **Five Habits** are essential to profitability in the coming months. The markets seem to be offering less opportunity and we need to stiffen our resolve, improve our approach and limit our blunders.

Good Luck and Good Marketing!

Feel free to give us a call.

Your partners in Grain Marketing.

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