

ProfitTalk

Simple perspective on disciplined grain marketing for producers

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SELLING AHEAD WORKS!

The information that follows was assembled by a grain elevator owner in Indiana. He lives and works in the same community as the farmers he deals with and is invested in their long-term success. Part of that investment involves offering competitive forward bids so that they can take advantage of forward contracting opportunities. He does this because he has seen that over time, the results say it is the right thing to do.

These numbers are for corn, but no matter what crop you grow the principle is the same. During planting and growing seasons, uncertainty creates opportunities to sell. Since widespread crop problems are relatively rare, over time taking advantage of those opportunities produces better prices than waiting to sell at or after harvest.

What follows is this elevator owner's recent letter to his customers.

FACT: SELLING AHEAD WORKS (In 22 years it wins 73% of the time!)

<u>Crop Year</u>	<u>Sold Before Harvest (average Actual Purchases)</u>	<u>Sold 1/3 at harvest, 1/3 in January, 1/3 in July (average)</u>	WHEN WAS THE BEST?	
			<u>Before Harvest</u>	<u>After Harvest</u>
1997	\$2.50	\$2.12	X	
1998	\$2.40	\$2.06	X	
1999	\$2.40	\$2.03	X	
2000	\$2.40	\$1.90	X	
2001	\$2.46	\$1.90	X	
2002	\$2.43	\$2.29	X	
2003	\$2.26	\$2.35		X (by 9 cents!)
2004	\$2.95	\$1.75	X	
2005	\$2.28	\$1.95	X	
2006	\$2.40	\$3.06		X
2007	\$3.25	\$4.94		X
2008	\$4.34	\$3.73	X	
2009	\$4.00	\$3.25	X	
2010	\$3.83	\$5.74		X
2011	\$5.11	\$6.08		X
2012	\$5.84	\$6.95		X
2013	\$5.28	\$3.86	X	
2014	\$4.21	\$3.26	X	
2015	\$3.80	\$3.48	X	
2016	\$3.82	\$3.35	X	
2017	\$3.64	\$3.25	X	
2018	\$3.70	\$3.34 so far	X	
2019	\$3.65 so far	?		?

Please Read This:

- » In 22 years, selling ahead has been best 73% of the time. If you count interest and bin costs, selling ahead scores even better than shown here.
- » In the past 6 years we bought grain before harvest at a \$4.08 average. If you waited the average was \$3.42. Selling ahead averaged 66 cents better!
- » Sometimes, selling ahead is wrong! Just not very often. But don't oversell your plan!
- » Most years bins have cost you money!

We can help you consider your risks.

This Isn't Easy...but we can help you make it easier.

There are emotions and risk at play when you sell ahead. Given the chance of success it would be a great move as a poker player but there are times when it isn't the best move for a grain seller. To reduce the risk let me recommend these steps:

- » Target a selling level that is profitable at a conservative yield and crop expense. Chances are that your eventual yield will be higher than in your conservative calculation, making your target a winner.
- » At first offer no more than 25% of an average crop. As you cross thresholds on the way to harvest you can raise the percentage offered or sold: (before planting: 20% max, before pollination: 40% max, before July 30th: 50% max, for example)
- » Let me and my broker watch your offer. Trading occurs 17.5 hours per day and the best market fills often come at night. I'll call you periodically at a schedule we agree on to help you keep track of your offers.

Selling ahead at near the high of the year has a great chance of success because the market is usually higher until the crop is made in mid to late summer. Higher prices often exist until the crop is made. Although it may not work *every year*, it will work over a *lifetime* of sales.

We will win when we keep the largest number of you, my customers, happily profitable. You'll stay in business and grow. We'll have the chance to handle the grain you produce in an elevator that dumps grain fast and makes easily understood settlements when you want them.

We believe that estimating production costs and entering target orders at prices that will cover or exceed them is an important part of any proactive grain marketing plan. We are ready to help you with that.