

ProfitTalk

Simple perspective on disciplined grain marketing for producers



presented by
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September/October 2019

You Know What They Say . . .

A few years ago, I wrote one of these newsletters looking at a few adages to see if they held true in grain marketing. I thought maybe it was time to examine a few more. Can heeding these generalized truths help us become better grain marketers? I believe they can.

“The best things in life are free”

Some may argue this being true in grain marketing, but I like it. There are a multitude of marketing options available to farmers, but many of them come with a cost and/or added risk. This includes all marketing alternatives past harvest. In contrast, selling grain proactively for harvest delivery or during harvest is free. Be prepared to capitalize on this free time by having pricing goals set and targets working to get grain sold. This leads right to my next adage...

“A penny saved is a penny earned”

To be successful, you must market your grain for more than you have invested in it. Of course, any costs can be recouped if your selling price is high enough, but it sure can lessen the burden on your marketing if you can eliminate some costs. Though some costs can be controlled to an extent, most cannot be completely avoided (seed, fertilizer, fuel, rent, equipment etc.). As previously stated, however, marketing costs can be eliminated. Every penny you save by marketing your grain for free, is one less penny you have to cover in your marketing, adding to your bottom line.

“Make hay while the sun shines”

Make the most of your opportunities while they last. Good advice that can aid in grain marketing. Rallies don't last forever, and they may not occur when you planned to sell grain. Avoid letting timing stand in the way of selling at a profit. Don't be afraid to take advantage of rallies before you are ready to deliver grain. The opportunity to set your price, may come well ahead of time. Always having target orders working can help take the emotion out of acting on these opportunities.

“Don't look a gift horse in the mouth”

I knew this meant to not be ungrateful or question the value of a gift, but actually had to look up the origin. As you may know, but I didn't, looking at horse's teeth can help estimate its age. So, if you are given a horse it would seem ungrateful to immediately try to determine how old it was and therefore its value. This would be good to remember when you see the market rally. The market is giving you opportunity (a gift). Too often, when the market approaches our selling target, we get caught up overanalyzing what is happening. Why is it rallying? How long will it last? How high will it go? Leading to thoughts of abandoning our plan when we should be thinking, “this is what I've been waiting for”. Don't question the rally, stick to your plan and reward it.

“Separate the Wheat from the Chaff”

Covet useful information and discard the rest. It is easy to get caught up in market buzz. You can always find a reason the market should move one way or the other. Unfortunately, no amount of information can definitively tell you what the market will do so basing marketing decisions on what you think the market will do next is futile. Instead, focus on information that pertains to your operation. Know what you need to do to make your farm profitable. Track your cost of production and estimated yield and use that information to determine your target prices and make informed selling decisions.

Good ideas, but how can we apply them right now?

- Strive to market grain for free. If you are past harvest, it is too late for this year, but evaluate whether you should sell now and stop paying for more time. If you have not harvested yet, put in targets and, during harvest, objectively evaluate whether waiting to price any unpriced grain is worth the cost/risk. Commit to being proactive every year.
- Be prepared to take advantage of rallies. Always have a plan and target prices working for all your unpriced grain with dates in place to review your plan.
- Strive to focus on the needs of your operation as opposed to market noise.

These ideas can help you finish off the marketing of your current crop, but ideally, they will serve as the framework of your marketing strategy for 2020 and beyond. It can take some time to break old habits but a commitment to these ideas will get you moving in the right direction. After all, **“Rome wasn’t built in a day”**.