

ProfitTalk

Simple perspective on disciplined grain marketing for producers

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PROFIT DEFINED

At the risk of being a master of the obvious, I am going to make a true, fundamental statement not only for any business but specifically for farm production. Ready?

To profit from farming, you must capture a profit. I know that sounds ridiculous, right? But what if I restate it like this: *To obtain a financial advantage from my farm investment, you must lock in financial gain by capturing a sales price greater than the amount spent in producing your crop.*

Life is divided into three terms - that which was, which is, and which will be. Let us learn from the past to profit by the present, and from the present to live better for the future.

-William Wordsworth

“Profit” is one of those words that can be defined as both a noun and a verb. In this case, the verb creates the noun - profitable behavior results in profitable outcome. Wow. If I keep this up, I'll be promoted from master of the obvious to king of the obvious.

But seriously, why make such a big deal about such obvious understandings? Here's why. Just because something is obvious does not mean it is easy. Not only is there an incredible amount of emotion tied to decisions, but you also work in an industry with ever-changing circumstances. These challenges combined often result in paralysis, which is not a profitable behavior. So, how do you lasso your emotions to behave more profitably in a challenging environment?

The best profitable business behavior is using a plan to identify target prices that will capture levels of profitability and then submitting firm offers to sell at those prices if and when they are available. Unfortunately, many farmers listen to a lot of noise. Their attention is on *what can I capture* rather than *what captures a profit*. The problem with this approach is that it's difficult to really nail anything down. What is enough if you have not defined a desired level of profitability? The motivation behind this approach is largely FOMO (fear of missing out). Wanting as much as you can get and not wanting to sell “too early” leads to paralysis. The challenge is real! Do your mind a favor and work a plan.

While volatility can exacerbate the challenge, it is also your opportunity. Higher volatility brings both higher risk and reward. Those who manage their position stand to gain more while those who do not stand to lose more. The stakes are higher, so your behavior is that much more important. Ask yourself, “am I marketing for profit or trying to get as much as I can get?” How you respond to the question, but more importantly how the response affects your actions as you move forward, could make all the difference.

So here are a few actions to take for this time of the marketing year (with what appears to be a significant crop coming at us).

- If you don't have a plan, see the one below and fill it out.
- If you have a plan, update it for current yield expectation.
- Sell some grain or set some targets.

Note: no one thinks current prices are great but crunching the numbers may bring some surprises so it's worth the effort. Profit is more important than price level, and waiting without a plan doesn't usually bring good results.

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FARM MARKETING | 5 Step Plan

1

Project your acres and average yields:

acres x avg yield per acre = total bushels to sell

2

Figure your cost per acre:

land prep + fertilizer + chemicals + seed application + rent + planting + harvesting + drying + price insurance = total/acre

3

What is my profit per acre goal?

4

Figure your target price:

cost + profit per acre goal / yield = target price

5

Take Action!