

CHALLENGES AND SOLUTIONS

Many producers find themselves harvesting crops that are not sold and looking at selling opportunities at or even below break-even. High input costs and relatively low commodity prices are making things tough on growers this year. A growing need for cash only adds to the challenge.

Challenges need solutions. However, sometimes what seems like the solution only adds to the challenge.

The Challenges

There are three challenges noted above.

1. Input costs are high.
2. Grain prices are relatively low.
3. Producers need cash.

“Wait and See” is a flawed solution

With no easy solution that covers all these challenges, it's no surprise that many default to using on-farm storage or storage/deferred price (DP) contracts at the elevator. Unfortunately, this does a poor job of addressing the three challenges.

- High Input Costs

Inputs are sunk costs at this point and can't be lowered. However, storage/DP compounds the problem. Paying commercial storage or DP fees obviously adds to costs, but waiting also adds to interest costs if the farm has an operating loan. It's hard to argue that spending more is the answer to high input costs.

- Low Prices

Waiting may very well solve this challenge. It is certainly possible that prices will improve enough after harvest to cover the added cost of waiting and then some. Of course, everyone knows that the price could also go lower. Even if the price goes up, it may not be enough to offset the added cost of waiting.

- Cash Flow

Storage and/or DP contracts do not solve the cash flow problem.

Better Solutions

There may be no perfect solution that covers all three problems. But there are solutions that do better than just hoping for higher prices.

- Sell across the scale

Harvest is the first time you can turn grain into cash. Selling right away avoids adding cost and gets cash in hand. It does make you a price taker and eliminates upside, but it also eliminates further risk.

- Minimum Price Contracts (MPC)

MPCs let the producer participate in a future rally while eliminating downside risk. They do add cost, which is not ideal, but they also create immediate cash flow. Eliminating downside risk and getting cash gets you quite a bit more for your money than storage or DP.

Avoiding these problems in the future

This is not an “I told you so”. 2025 has been a challenging year to pick out good marketing opportunities pre-harvest. However, it is important to approach next year looking for opportunities to market grain ahead of harvest. This is a great way to solve all three challenges.

There may be no perfect solution to the challenges faced this harvest, but it makes sense to solve as many as you can without making them all worse.

