

ProfitTalk

Simple perspective on disciplined grain marketing for producers

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PROFITABLE PLANNING

Farming is a business that runs on numbers: inputs, yields, and the crucial bottom line of profitability. This year, many of you faced a harsh reality. High input costs paired with falling commodity prices meant that turning a profit was a challenge - and for some, an impossibility. So, how do you take these lessons forward as you prepare for next year?

It all comes down to looking beyond the past and focusing on what can work now. The last few years were marked by impressive prices, but those days are gone, at least for the moment. Letting past highs dictate your expectations leads to poor decisions. Instead, you need to evaluate today's costs, yields, and market conditions to find a reasonable return on investment (ROI). As Thomas Jefferson once said, "I like the dreams of the future better than the history of the past." The aim isn't to lament the past, but to take what's on the table and make it work for you.

Volatility will always be part of agriculture - markets go up, and they come down. Instead of trying to predict every price move, you need to take a more practical approach. History shows that prices tend to fluctuate based on supply and demand. When there is plenty of grain available, prices often drop, and when supplies are tighter, prices tend to rise. While you can't control these swings, you can use this understanding to help make better marketing decisions. It's about recognizing opportunities when they arise and making sure you're prepared to act.

One of the biggest shifts you need is in how you think about profitability. It's not about trying to hit the absolute top of the market, but about setting achievable targets and being ready to act. Too often, farmers hold out for the "perfect" price and end up missing a profitable opportunity. In a tough year like this one, practical decision-making is more crucial than ever. You need to ask yourself: *How much risk are you willing to take on? What's the cost of waiting for something better?*

A good marketing plan begins with knowing your numbers. You need to know what your breakeven point is and set a target for profitability. Once that target is within reach, **ACT**. Turning grain into cash means reducing the uncertainty and minimizing additional costs. Yes, sometimes the market will climb after you've sold. But dwelling on missed peaks only undermines the decisions made to secure your farm's future. With each sale, remember that profitability and consistency will always beat speculation.

Tools like Forward Contracts, Target Contracts, and Minimum Price Contracts have long been used to manage risk and lock in profits. They're straightforward, effective, and proven. Complex marketing schemes can sound attractive, but they often come with hidden risks that could leave you more exposed. In uncertain markets, it's best to stick with the basics - tools that fit the overarching goal of consistent, profitable returns.

Harvest of 2024 has just ended, but it's not too early to start thinking about marketing the 2025 crop. The lessons you learned this past year should be used to help you avoid the same pitfalls in the future. For example, think back to the beginning of this past growing season - many of you were hesitant to lock in sales because you hoped prices would continue climbing. But by the time input costs were finalized, market prices had dropped, and opportunities for profit had slipped away. This year, commit to learning from that experience. Set realistic profitability targets early, use the tools at your disposal, and be ready to act decisively when those targets are within reach.

There were certainly challenges this past year, but there were also valuable lessons. The key takeaway? Resilience and practicality are what will drive you forward. By staying disciplined and focused on realistic profitability, you position yourself to handle whatever the market brings next.

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