

Farmer's Corner



January/February 2011

Number 1

Focusing on the Main Thing

"The person who starts out simply with the idea of getting rich won't succeed; you must have a larger ambition. There is no mystery in business success. If you do each day's task successfully and stay faithfully within these natural operations of commercial laws which I talk so much about, and keep your head clear, you will come out all right." ~ John D. Rockefeller

A great deal has been written over the years about John D. Rockefeller, both positive and negative. Whatever your personal opinion of the man, you have to admit that he did know how to make money. He is widely regarded to have been the richest person in history, after adjusting for inflation, even more so than Warren Buffet and Bill Gates. His personal fortune was worth 1.4% of the total U.S. economy at the time of his death in 1937. This is even after his historic giving to philanthropic organizations.

The quote above is particularly appropriate at this time when you think about your job as the seller of the products that you work so hard to raise. The changes in cost of production and the dramatic increases that have occurred in almost every area that touches the cost of production have led to a great deal of anxiety on the part of many producers. We need to look closely at the lessons that Rockefeller shares with us.

IN THIS ISSUE:

**Focusing on the Main Thing,
Profit! * Coffee Shop**

“ . . . have a larger ambition . . . ”

It is critical that you have some larger goal or destination in mind when approaching farm marketing. Just trying to “make all I can” or “hit the high” might give you bragging rights at the coffee shop table for one year if you are really lucky, but can often result in bad outcomes. The most successful marketers have an overarching set of goals that allow them to remain focused on the task at hand and work for a level of consistent profitability year after year.

These producers have a higher purpose that drives them. That purpose includes such things as sending their children to college, helping their children get started farming, retiring without money concerns, or whatever really big idea can motivate them to long term success.

“ . . . do each day’s task successfully . . . ”

The long term, successful marketers in today’s market have some key things that they do that enable them to be consistently profitable. They approach their marketing in a way that is thoughtful and logical, keeping in mind those long term goals that drive them. These characteristics apply regardless of the crops raised or area of the country in which they are raised.

First, they know their cost of production per acre. They do the best they can to lock in those costs that will enable them to have a place to begin that gives them that solid chance for opportunity of profit. They typically don’t “pay whatever it takes” to rent or buy land or “wait for a better deal” to come along in the inputs. They manage the cost side prudently and reasonably.

Secondly, they have a solid history and are aware of what the typical profit per acre opportunities are in their area. They know beyond a doubt what “their number” is. They are willing to take action when their number is reached and not worry about how much more they might have received if the market had gone higher.

Lastly and most importantly, they are decisive. They take the variability of production agriculture and the tools available to them to secure a consistent level of profitability. They utilize the crop insurance products available to reassure themselves that sales made are protected against not raising a crop, coming up short and the market rising.

Thinking in these terms every day is what leads to successful marketing. Successful marketers focus on the events and things that are manageable and actionable. The rest is beyond their control or influence, so they don’t spend time and anxiety on that.

“ . . . keep your head clear . . . ”

How does a person in today’s era of information overload and access “keep their head clear?” This is probably the biggest challenge facing today’s producers. They are constantly bombarded with advice for sale, “hands off” marketing services where someone else makes the decisions for them, opinions and analysis of what the markets are going to do, and scariest of all, the free advice of those around them.

A farmer in eastern Iowa was heard to say, “I have so much information and analysis available to me that I can’t make a decision. I have analysis paralysis.” This is not untypical of producers in today’s world. The best sellers of grain, those that make consistently good profitable sales, focus on the simple, actionable things.

What's Important Now?

Taking all of this into consideration, let's talk about what you can take action on right now. At this point, everyone knows what it costs to raise the 2010 crop. Most have already made some sales at pretty good levels. Current prices are readily available at the elevator. Most of you have already started working on income tax so these numbers are available to you.

Take a look at where you stand, RIGHT NOW! Look at the revenue that you've received on the crop so far. How much money would it generate if you sold the remainder at today's price? Subtract what it cost to raise the crop and see how much profit you have.

The question you really need to answer now is simply this, "do I like what I see? Can I live with that profit?" If the answer is yes, then you have clear steps to take - sell it! If you aren't quite at your profit goal, enter a target with the elevator at the level that gives you the profit you desire.

When looking at new crop 2011, the exercise is very similar. For the most part, you can determine with a reasonable amount of certainty what it's going to cost to raise this crop. What you don't know is what the average yield is going to be. Successful marketers use their average expected yield as a base to start from.

The next thing to do is sit down and come up with a plan to market the crops. Many will wait until the insurance levels have been set to make sales. This is the most conservative approach. The problem with this is that the markets have been fairly strong and good opportunities are presenting themselves to you right now. By starting to market small percentages of the crop early at good levels, you can lock in a portion of your production at these profitable levels. You will have protection later, but it's the last part of the crop that you need that non-production coverage. Odds are that you will raise something and locking profitable levels in isn't a bad place to start.

Finally, remember one important thing. A good, profitable sale is just that, a good sale. Once you have made a selling decision based on profit, it's very important to look forward to the next bushel, the next sale. What is probably the biggest mistake that people make in marketing? Looking back at previous sales that may not look so good now causes unneeded second guessing. Producers that consistently sell at a profit will never go broke! Look ahead, not behind, enjoy long term success!

Summary

The best marketing is simple. Your ability to lock out the noise of all the information that can distract you from selling at profitable levels will, over the long haul, lead to the level of success which will allow you to reach your big goals. Give yourself permission to only focus on the things over which you have control, and ignore or minimize the things you can't.

In short, free yourself to be successful. Give yourself the gift of freedom from anxiety. Most of all, allow yourself to reach those goals that matter most in your life. Focus your thinking around the main thing, selling at a profit!

Our goal at this elevator is to help you reach those goals. We're helping folks just like you to do this every day. Whether you need help calculating cost or coming up with a marketing plan, our staff stands ready to assist you. It is an honor and privilege to serve you. So here's to a safe and profitable New Year!



Recently a group of farmers were at the local coffee shop. They were discussing the state of the grain markets. One farmer says, "I sold 10,000 bushels at the high for the 2010 crop!" Another of his good friends says, "how can that be, my adviser says that we haven't seen the high, yet!" Not to be outdone, a third says, "my research on the internet tells me that there is a lot of uncertainty and nobody knows what's going to happen, so I'm going to wait for events to develop."

Ed is sitting on the other side of the table, quietly eating his breakfast of pancakes. Just has he's done for the last 60 years. He's well into his 80's and is what his "friends" consider to be very wealthy. The others ask, "what are you going to do Ed?" Ed says, "Targets for 2011." "NO, how about the 2010 crop?"

Ed replies with a big smile, "I sold my crop at \$250/acre profit, all of it. More money than I have ever made off a crop. Don't care what it does now. I'm satisfied. Got 30% of next year's sold too, at good numbers. Don't really care what 'they' say or think. I only care about selling at a profit."