

Farmer's Corner



May/June 2016

Number 3

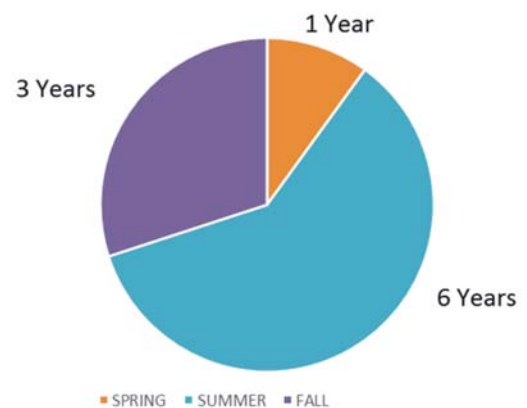
WE HAVE ARRIVED!

During the last several issues of this publication we have discussed such topics as what might cause the next rally in prices, keeping balance in your farm marketing program and 5 simple steps that the farm marketer should take in his quest for success. These articles were designed to prepare the farm marketer for capturing potential crop marketing opportunities if and when they occur. **Now it is show time!** The 2016 fall crop planting season in North America has become a reality; the planted crops are getting off to a start and the prospects of having crops to market become more real every day.

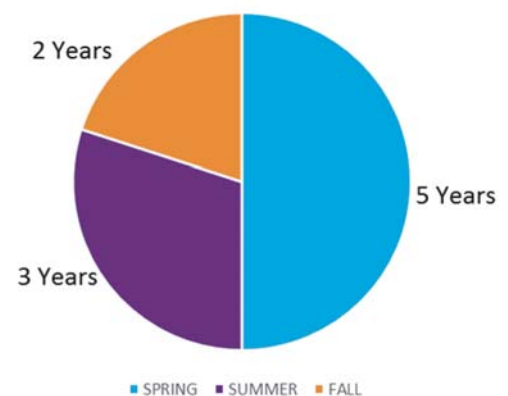
Fortunately, the planting and growing season often coincides with another season, the historic season of price volatility. From planting time through at least the mid-point of the growing season, the market is very sensitive to weather events, crop conditions or practically any adverse circumstances, real or perceived, that would have a negative effect on the growing crop. It is common for market prices to build in a risk premium to some degree during this time. As of this writing, new crop corn futures have recently made a new high for the year and new crop soybean futures have gained more than \$1.40 in 2016. **We have arrived!** The season of volatility is here and it is your friend.

Historically, your chances of seeing the best seasonal pricing opportunities during the next few months are fairly high. The accompanying seasonal price charts for corn and soybeans during the last 10 years demonstrate this. This ten-year span of time includes a broad spectrum of growing seasons and Supply/Demand environments, including ideal growing seasons, droughts, big crops, small crops, demand driven markets, supply driven markets, record high prices, low prices, very low stocks/use ratios and very high stocks/use ratios. In spite of such a variety of circumstances, the highest percentage of best pricing opportunities, in general, occurred during the next several months of the year.

Time of Highest Seasonal Soybean Prices 2006-2015



Time of Highest Seasonal Corn Prices 2006-2015



What could prevent producers from accepting profitable prices if and when they occur during this season?

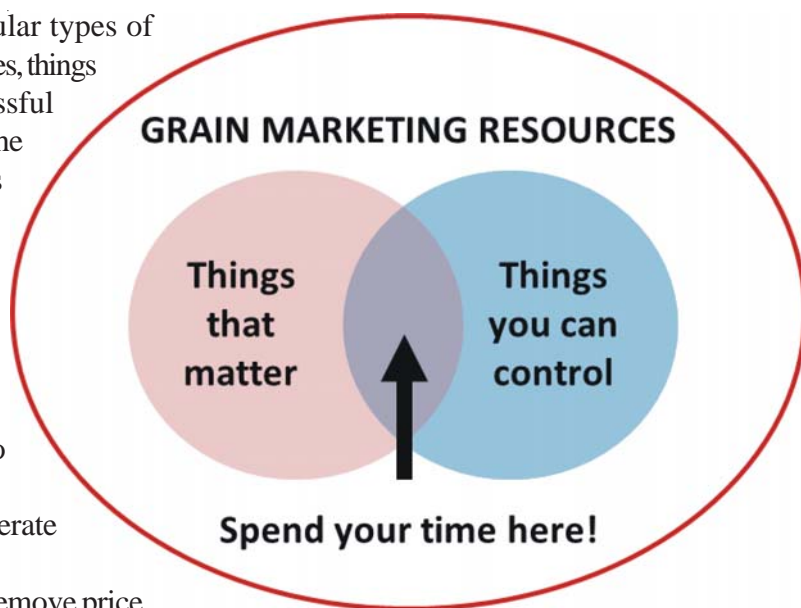
- **Emotional barriers**- It helps to come to grips with the nature of the grain marketing decision and the potential emotions that may thwart the decision to sell. It could be said that there is a strong case for having seller's remorse after every sale. Either you regret selling because market prices went up afterwards or you wish you had sold more because the market fell afterwards. Identifying and removing emotions from the selling decision makes the job easier.
- **Failure to adjust to the present reality**- Three years of increasing supplies and lower production margins suggest that the market does not need to work so hard to accomplish its job and that shooting for prices and margins equal to those of three years ago is unreasonable. Could that situation change this year? Of course it could, but can you afford to take the chance?
- **Fear of losing opportunity**- Farmers in general have been reluctant sellers of grain as margins from cash cropping have decreased. A few years ago, during a strong demand market with consistently higher margins, being decisive and locking in profits didn't seem to be so necessary. In the current environment, more of a supply driven market, being decisive is everything. Opportunities are apt to appear for a short time and then disappear.

What is the formula for staying focused on getting grain sold profitably?

Due to the vast amount of information and advice thrown your way by the media, sorting out information and strategies that make a meaningful difference in your outcome can be daunting. Why not borrow techniques used by successful business people in other industries around the globe? Studies have shown a direct correlation between serious time management and achieving the desired results. Everyone, including farmers, has only a given amount of time to allocate to any endeavor. We have observed that the most successful grain marketers have mastered the art of tuning out extraneous information and focusing on things that make a difference. What are the criteria for making this happen?

The accompanying graphic illustrates two particular types of information within the whole of grain marketing resources, things that matter and things that you can control. Successful marketers have learned to focus their efforts inside the intersection of these two circles. The list of these things is a short list and is readily available to all producers:

- How many bushel do I expect to produce, given my production history?
- How many dollars per acre do I expect to invest in each crop?
- How many dollars per acre do I need to generate above my investment?
- What price do I need from the market to generate these dollars?
- Use simple, straight-forward contracts that remove price risk from the process.



We have arrived! This business of farming has reached the most critical season of the year for both production and marketing. Decisions made today could have a lasting effect on the outcome of the 2016 season. We want to offer our support to you as you navigate through the current marketing season.