

Farmer's Corner



September/October 2017

Number 5

Free Time is Over

Most of us remember the unstructured play time or recess at school fondly. It was our “free time”. One of the most dreaded phrases to hear as a child was “Free time is over.” This was especially true if you realized that you had not used your free time wisely. Most of us (at least once) fell into the trap of spending way too much of our free time laying out the parameters of a game or just deciding what to play.

The issue of not using your time wisely was easily averted once you realized that recess lasted the same amount of time every day. Most people were quick to realize that it made no sense to spend 10 minutes of a 15-minute recess picking teams and making up the rules of a game. Once you were using your free time wisely, even though you were disappointed when it was over, at least you made the most of it.

Knowing when free time ended helped you use it to its fullest.

Consider this your warning, your free time to market 2017 crops is almost up, if it is not already.

Just like recess ending the same time in each day, your “free time” to market grain ends each year at harvest. Once the combine starts rolling additional time to market your grain is going to cost you. It may seem like an unfair deadline, but the futures market actually gives you much more time before harvest to market grain than most producers plan to take afterwards. Unfortunately, years of free marketing time are often forgone by producers who wait and then pay for the right to market their crop over few months. These added costs cut into your bottom line by raising your break-even price and cutting into any profit!



First, know the cost!

Before you delay your marketing decisions beyond harvest, consider what the cost and/or risk of additional time means to your operation.

Delaying pricing at a commercial elevator may invoke:

- ◆ Increased interest costs
- ◆ Contract fees
- ◆ Price later or storage fees

Storing grain on your farm adds:

- ◆ Increased interest costs
- ◆ Handling costs
- ◆ Facility maintenance and operating costs
- ◆ Shrink
- ◆ Condition risk

Despite these added costs and risks, you still have no guarantee of receiving a higher price by waiting!

In fact, with the exception of a Minimum Price contract, the *possibility* of higher prices is countered by the *added risk* of lower prices! Take time to objectively compare the cost/risk with the possible reward. Ultimately, producers are often best off to sell and get money in hand than to add cost.

Second, make a commitment to start using your free time wisely!

Just like we hopefully learned to not waste recess as a child, let's reflect on the situation we are in now, and try to do better the next go around. The market commonly presents opportunity to sell grain at a profit prior to harvest. Be ready to take advantage of those opportunities in the future by calculating your break even and having target orders in place to sell above that number.

Getting bushels sold ahead of time avoids choosing between selling with your back against the wall at harvest or incurring further costs.