

ProfitTalk

Simple perspective on disciplined grain marketing for producers



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STRAIGHT TALK FOR WINTER MARKETING

Winter is in many ways the middle of the marketing process. Sales to make space at harvest and generate necessary cash flow have already happened and the remaining bushels will be sold either out of necessity (as in, more cash flow) or as part of a marketing plan. Here are a few things to keep in mind as you watch the market.

1. There is a lot of stuff happening in the world to impact prices
It's easy to build a case for higher prices - and it's equally as easy to build a case for lower prices. Fact: NOBODY KNOWS FOR SURE! This uncertainty is stressful and can be a huge distraction but there is no opportunity without uncertainty. A strong written plan with specific price targets will take away some of the emotional impact of volatility and give you a higher probability of seizing opportunity when it occurs.
2. Cost of production has increased
Higher grain prices have historically led to higher production costs, and world events can add to volatility. When grain prices drop, production costs tend to not respond as quickly. UNFORTUNATE FACT: The next time "the market" cares about what it costs to raise a bushel of grain will be the first. If you are locking in high production costs and not locking in the high prices that helped create them you could be creating a significant risk position.
3. Spring/summer markets historically offer opportunities to make profitable sales
Prices are already on the high end of history but if your goals are higher than the current market, planting and growing season tend to create volatility and opportunity. Having an idea of what it costs per acre and what level you want to make sales will allow you to enter firm offers to capture the opportunity.
4. As you make sales have a clear expectation for what can happen next
It feels like the market always goes higher after you sell. Be prepared for this and take the opportunity to raise your average. Scaling your target orders up from the lowest price you want to sell is a great way to increase your chances of getting something done and also participating in a market that is trending upward.

These points hold true for both getting rid of the rest of old crop and getting started on new crop sales. Selling based on profitability is **NEVER** a bad idea. Staying disciplined when making sales like this is not easy, but it does lead to long term success. Using targets or firm offers to keep in front of the market and make that next sale is the best way to achieve success in your marketing.

Please talk to us about what we can do to get you started. When it's cold and nasty out, it's the best time to spend getting your marketing plans together and get those targets in.