

ProfitTalk

Simple perspective on disciplined grain marketing for producers



presented by
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A Familiar Story

“History doesn’t repeat itself, but it often rhymes” | Mark Twain

Grain prices are good. Very good. You may always want more, but it is hard to look at current prices as a producer and not smile.

When was the last time things seemed this good? Let’s take a look back to early 2013. We had just harvested the crop from one of the worst, widespread droughts North America had seen in years. Grain prices were high and it felt like the sky was the limit.

There was plenty of talk that grain prices had found a new plateau. Sub \$4.00 corn, \$5.00 wheat and single digit soybean prices seemed an impossibility as the economics of growing a crop combined with strong global demand felt destined to prop up prices indefinitely. Sometime in the first few months of that year a conference full of seasoned ag industry folks asked “Will corn futures ever trade under \$3.50 again?” An overwhelming majority responded “yes”. In the moment, particularly for people newer to the industry, it was easy to be skeptical. But experience translated to wisdom on this occasion.

Nearby corn futures did not trade below \$3.50 in 2013. However, they did every year from 2014 to 2020. In addition, wheat and soybean futures traded below \$5.00 and \$10.00 respectively each of those 7 years as well. Indeed, the lesson some had not fully learned in 2013 was that high prices cure high prices.

This story is not told to predict when prices will drop or how low they will go, but as we evaluate the current grain market, it’s hard not to remember how it felt 9 years ago. Concerns about the 2022 crop, strong demand, and global unrest are all factors supporting grain prices and may very well continue to do so for some time. However, prices do not have to stay high indefinitely and it is important for you to minimize your risk of loss. We are in the midst of a second straight year of historically strong grain prices. As has happened with every rally in the past, this too shall pass.

What should you do? Don’t overthink high prices.

We are entering fall harvest for much of North America. Take advantage of current prices to lock in profits for your operation. As always, holding grain to price beyond harvest will come with additional cost and/or risk. Be sure to weigh those factors before passing on current pricing opportunities.

And don’t stop there. As you lock in costs for subsequent years, be sure to lock in profitable prices as well. You never know how long they will last.