



# WPC GRAIN CHAT

[www.walkerproducts.net](http://www.walkerproducts.net)

SEPTEMBER 2014

## Fall Marketing Guide

The current marketing conditions have many perplexed upon how to best handle the marketing of our old crop and new crop grain. We have observed that there seem to be 2 conditions: 1) there is a lot of un-priced old crop milo, corn and beans, and 2) people are not forward contracting new crop because of the collapse in price. Both conditions are making producers nervous and confused as to how to best market their grain. The purpose of this letter is to share some simple ideas for a simple plan to market your old and new crop grain between now and harvest.

### Step 1 – Determine How Much To Sell

Old Crop: While nobody really knows when, it is inevitable that old and new crop levels will ultimately converge. Currently old crop milo is \$.15 cents higher than harvest time bids, and old crop beans are a \$1.75 higher. As harvest gets closer, old crop prices will converge toward the new crop price. Our suggestion is to sell your old-crop at these premium prices. If you want to stay in the market, there are options available to you. (See step 4)

New Crop: In addition to the prospect of record, or near record crops, harvest will begin with much larger carryover inventories than we've had in the past several years. Do a yield estimate and consider selling part of your new crop grain that you plan to bring us in the fall.

### Step 2 – Set Some Target Orders

In a down-trending market, the best target price is often the current bid. If you aren't prepared to sell at the current bid, set an initial target within a reasonable range of today's prices. As you consider what target price to set, look at your historical total revenue for that crop for a range of years. Compare that total revenue to what you can receive now by multiplying a price by your estimated current yield. Comparing total revenue should give you a more meaningful measure than just looking at the sticker shock of a falling market price compared to the previous year. A copy of a Target Contract is located on the back of this page.

### Step 3 – Set A Deadline

In our present situation, we believe that setting a reasonable deadline for making some sales is important. Some

times this time of year can offer the best opportunity for making forward sales. However, be aware that the USDA crop production report is released on Sept. 11<sup>th</sup>. Market reaction to these reports is unpredictable. Market reaction and logic often do not go hand in hand.

### Step 4 – If You Want To Stay In the Market...

Instead of leaving grain in Delayed Price/Storage with no price protection, consider a Stay-In The-Market Contract (Minimum-Price Contract). These allow you to set a floor price and take payment for your grain upon execution of the contract. There is a cost for this contract, but you are purchasing the opportunity to receive more money for the same bushels if prices move higher within a designated amount of time. These aren't complicated: you simply sell your grain and purchase the right to stay in the market on those bushels. Stay-In-The-Market Contracts have been described as pre-paid storage with a price floor, but no ceiling. In times when grain prices and volatility are low, a Stay-In-The-Market contract can be an attractive alternative to un-priced grain. Waiting for the market to increase can cost you as much in DP/Storage fees as Stay-In-The – Market. With this contract, you have your money up front, the price can't go lower, DP/Storage fees stop, and you have the right to participate in the market if it rallies.

### Some Parting Thoughts

During these dog days at the end of summer, there will be plenty of market noise and theories as to why "the bottom is in" or a price rally "is just around the corner". Don't let this be a distraction from making and executing a marketing plan. None of us have a crystal ball that can predict the future. But our message doesn't change. Know your costs, estimate your production and determine what the bottom line is that you need per bushel. If the market is there, sell it. If not, put in a target. If you are concerned about market rallies, then put on a Minimum Price Contract so that you can participate in that gain. As always, please feel free to contact us if you would like to discuss this further.

FIND US ON THE WEB:

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### Mission Statement

Walker Products Company is an independently owned country grain elevator in Lincoln, Kansas dedicated to bringing profitability to area farmers by using clear-cut marketing concepts proven to add value to the farming operation. We are dedicated to educating ourselves and our customers in farm and business management and ready to assist you with your grain handling and marketing needs. Friendly, customer service is the foundation of our business with integrity at its core. With over 60 years of experience our focus remains the same...

**We are committed to your success!!**



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## TARGET CONTRACT

I, \_\_\_\_\_ offer to sell  
Walker Products Company the following:

\_\_\_\_\_ bushels of \_\_\_\_\_

at a price of \$ \_\_\_\_\_ /per bushel.

DELIVERED TO: Walker Products Company

DELIVERY PERIOD: \_\_\_\_\_

This offer is good until cancelled by producer.

\_\_\_\_\_  
(Producer)

Date \_\_\_\_\_

\_\_\_\_\_  
(Elevator)

Date \_\_\_\_\_

Please complete this form and mail or bring it to the  
Walker Products office. This offer is not  
valid until confirmed by Walker Products, Inc.  
Mailing address: P.O. Box 349, Lincoln, KS 67455