



WPC GRAIN CHAT

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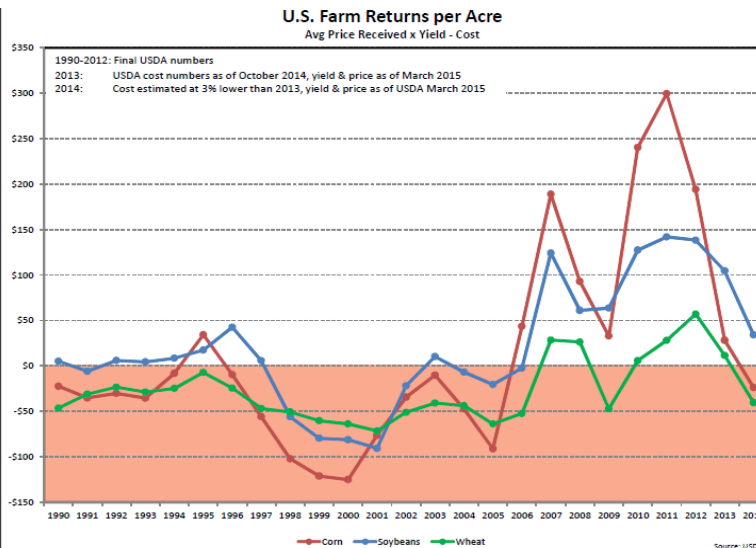
April 2016

Personalize Your Marketing Plan

If there's anything that the past few seasons of farming have taught us, is that there is nothing new under the sun. Looking back, the grain prices that we enjoyed from 2007 through 2013 have fallen nearly as fast as they came. On a historical chart, they look like Mt. Everest rather than the plateau we were all hoping for. While this transition back to "reality" has not been welcomed, it is indeed the reality

we are dealing with today. The days of making profit without having a grain marketing plan in place are over. We are now in an era where we have to work for our opportunities to market grain. And those opportunities are real for the producer who has a plan.

Talk around town right now is that there isn't any profit to be had currently, for any crop. But we want to encourage you to run your own numbers and not just take other's word for it. Everyone's farming operations differ; costs differ, production differs and marketing differs. Knowledge is the beginning of wisdom, and having a good grasp on your production costs is the first step in obtaining a wise marketing strategy. Many costs have dropped somewhat from last year but some have not. How much has this affected **YOUR** operation? Do you know? Do you have this figure already? Great, if so you are 20% finished implementing your **PERSONALIZED** grain marketing plan. If not, spend a little time figuring out how much it has cost you to plant a crop and get it to market. Now, if you can come up with an average expected yield you'll be 40% done with your plan. That's almost half way. Of course you won't know the actual yield until the combines run, but you can come up with a realistic estimate. Having your cost of production and expected average yields figured, you now know **YOUR** breakeven point. The next step is likely to be the most vital decision **YOU** will make all year. It is unique to every producer. No one can make this decision but **YOU** and it will set the tone for your 2016 marketing. What is



YOUR profit goal?

Now it's up to you to decide at what level above breakeven to set your goal. Maybe it is at the breakeven itself, in order to cover costs so that if the market continues its downward swing you won't come out behind. Perhaps it's at a 6% - 8% return so that you can sustain and grow your operations' progress. This is a tough choice, but one that will not go away on its own. With this

number now set, you are now 60% complete. **(COST + PROFIT)/YIELD = TARGET PRICE**. That's right - our dear friend the Target Contract!

The Target Contract was used infrequently during the past few years due to high prices, but it holds its rightful place as perhaps the best marketing tool out there. For targets to be successful they must be set using the process mentioned in the past paragraph, not just by using the latest price du jour; "but I need \$5.50 for my wheat...I think". Last year the magic number was \$6.00, the year before \$7.00; who knows, this year it could be \$4.00. The point is, perhaps **YOUR** number is \$4.75. You'll never know until you do the math. Targets can be set well ahead of harvest. This means that you now have the time for the market to work in **YOUR** favor, 17.5 hours a day, 5 days a week.

It is important to note that Target Contracts are **FREE!** This is something that **NOT ONE** post harvest marketing contract can provide, even those that claim to pay a premium to the farmer. As a side note, premium is just another word for risk. You likely don't pay your homeowners insurance agent a premium each year just because he's a nice guy. You pay it because you want him to build you a new house if yours burns down. You pay him for that **RISK**. If you are receiving a premium on a contract, it is imperative that you understand the risk you are agreeing to accept. Know the downside, and more importantly, know if you can afford that potential cost! That being said, once you've

entered your target contracts into the market to begin working, you are at the home stretch at 80% complete. Congratulations!

This final point cannot be stressed enough. If you postpone your marketing until after that bushel has been harvested, you are already behind the curve. Costs do nothing but **GO UP**, every day, until that bushel is sold. It doesn't matter what marketing alternative you use. Along with this fact is another that we all know to be true. The market does not have to keep up with YOUR costs. In fact, in such cases as this past year, unsold bushels from harvest 2015 have received a **DOUBLE WHAMMY** of increase marketing costs paired with a declining market price. This is not a position one can afford to be in and be successful.

So what makes up the final 20% of your **PERSONALIZED** marketing plan? It's simple. Act Now! Call us to get those Target's entered. With this process, there is **NO** guessing, and **NO** worrying about factors you can't control. Taking this step will make you **DELIBERATE** in your marketing decisions, and not prone to all the anxiety that indecision causes. It means that you recognize that the risk of growing a crop and not

having it sold is **GREATER THAN** the risk of having a crop sold and not growing it. And you've ensured yourself the opportunity to do this farming thing all over again next year.

Just a note about unsold 2015 crops: Some have unsold bushels from the 2014 and 2015 crop. DP and storage costs are mounting. At what point do you need to take action where profit isn't possible? Where do you need to draw a line in the sand and set a limit on the amount of losses you will let that crop accrue? Sometimes it is better to just count your losses and move on, than to continue to make the same mistake. It's a tough choice, but one that will not go away on its own accord.

A proactive approach to farm marketing has scarcely been more vital than it is today. We find ourselves in a world that is awash in grain, claiming both a record level of food **AND** fuel that we are told could never happen. The unexpected does happen and you must be prepared to exercise a marketing plan that will withstand the unexpected. Proactively taking profit off the table when it's available will stand the test of the unexpected market!



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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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