

ProfitTalk

Simple perspective on disciplined grain marketing for producers



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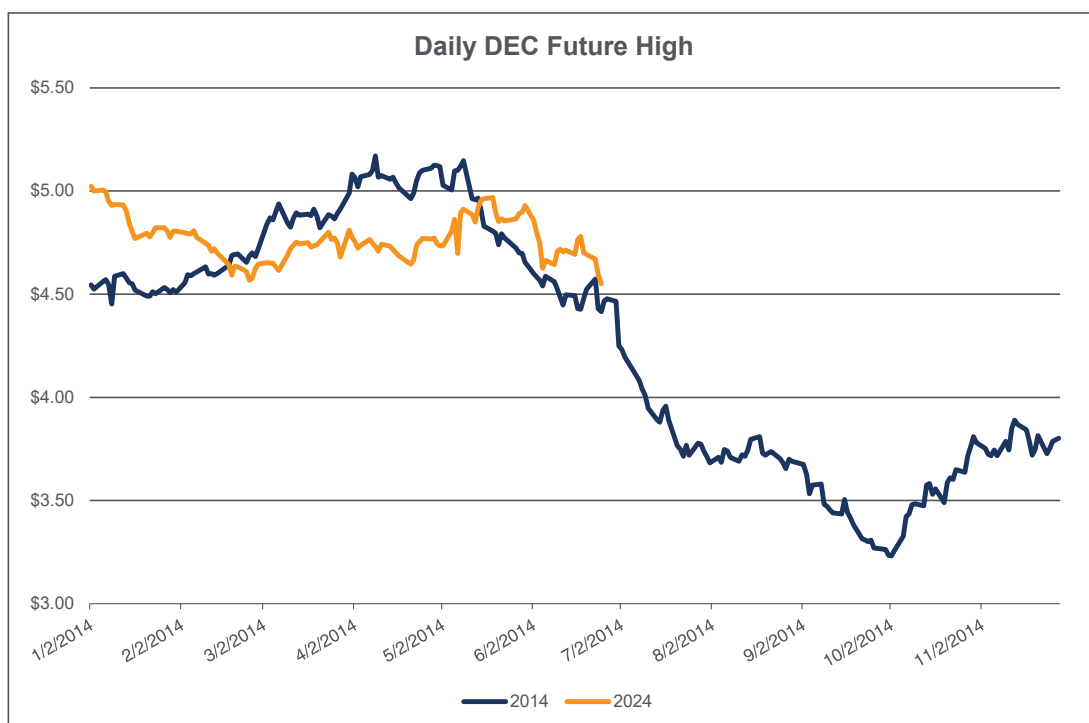
TUNE UP FOR THE DOWN TURN!

Times of scarcity create a great deal of opportunity, but they also create a great deal of risk. Commodity stock replenishment and farm marketing opportunities do not play well together. History shows that people have a hard time selling in a down market. Taking action to protect your opportunities for profit is a challenge in this environment.

Let's look at 2014 as an example. The 2013 crop helped US carryout in corn grow from the 2012 final number of 7.39% to 9.16%. The 2014 crop year gained more than another 3% to make the final 2014 number 12.59%.

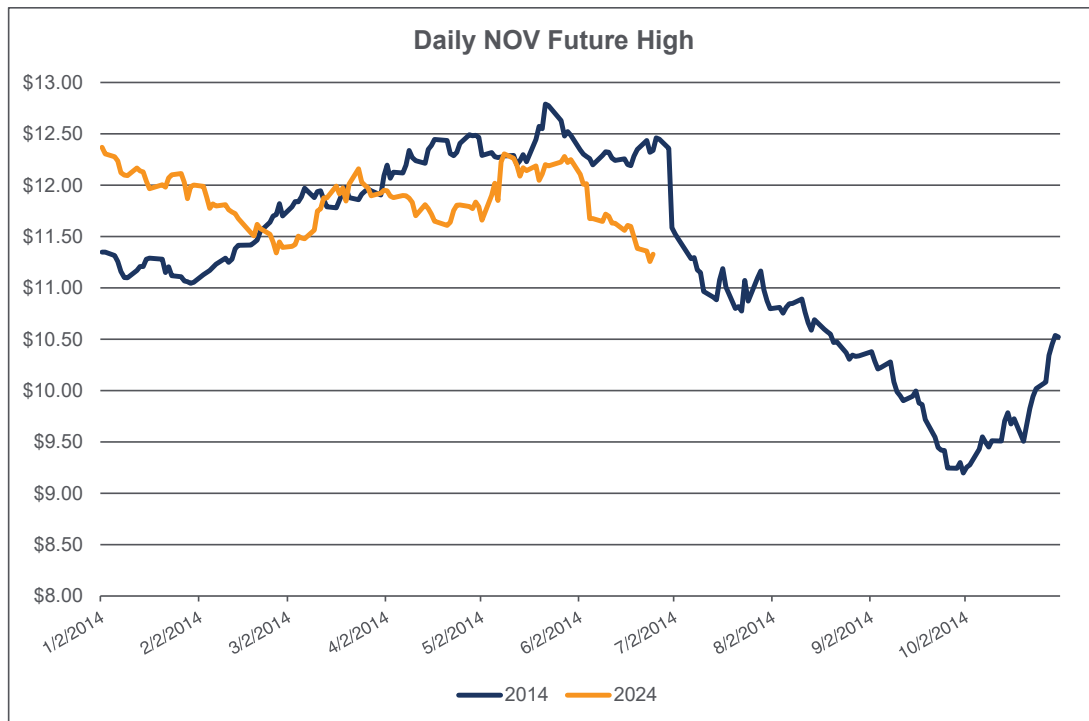
We're in a similar situation now in corn. The 2022 final carryout number was 9.92% and the 2023 is projected at 13.75%, nearly four points higher. The first projection for 2024 crop carryout has it at 14.2%.

Not only do we see a similarity in the growth of carryout, but we also see their corresponding decline in December futures in this chart below.



This is not to say that this year will be a repeat of 2014, but this is a possibility. Currently we are experiencing a growing carryout and declining pricing opportunities. This has created the familiar challenge of trying to market grain in a declining market. Few are happy with the pricing opportunities so far, but if history does repeat itself, potentially even fewer will be able to tolerate harvest prices.

Here is a snapshot of a similar challenge in soybeans.



While individual wheat classes vary, ALL US wheat stocks have undergone a similar replenishment of stocks from a recent low in 2022 at 30.38% to 37.51% in 2023 and now a projection of 39.40% for 2024 crop.

So, what is to be done with this challenge? The 2024 market can go in any direction, but it may be time to get more defensive with your grain marketing. Here are some action items to help get started if the market has you paralyzed.

- Review cost of production.
- What is your breakeven price?
- Review production estimates and current sales and selling opportunities.
- Calculate a target price to cover cost or for a target profit price.
- If the current price helps cover cost or is at your target profit level, sell grain.
- If not, get target orders working to accomplish this goal.

Note: Don't stop there! Review this routinely until you have covered your risk or captured your profit goal.

Don't let this challenge paralyze you. Hoping for higher is not a strategy. Take some time and tune up your marketing plan!