



National Farm & Ranch Business Management Education Association, Inc.

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NUTS & BOLTS REAL-TIME UPDATE

October 29, 2010

FARM MANAGEMENT MINUTE:

Going From Bad to Worse

By Betsy Jensen, Farm Business Management Instructor,
Northland Community and Technical College

Bonus Issue!



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The late summer price rallies in corn, wheat and soybeans have many farmers regretting their early sales. What appeared to be a good price this spring now looks poor compared to current pricing opportunities. Regret is a strong emotion in marketing, and it can cause calm and rational farmers to make irrational decisions.

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The number one question asked is "How can I make up for those early sales?" While I can begin a long list of alternatives such as buying futures, buying call options or selling put options, my first and foremost advice for you is to make sure you are not turning bad sales into worse sales. There are risks involved in every re-ownership strategy. You may have sold soybeans for nine dollars, and watched them rally over ten dollars, but you can easily turn that nine dollar sale into seven or eight dollars.

Most marketing plans involve keeping some grain unpriced as we move into harvest, and that may be your safest bet when it comes to ownership. Instead of focusing on the bushels sold too early, focus on the bushels sold late, and at higher than expected prices. For those farmers who do not have extra bushels, either because of aggressive pre-harvest sales, or

perhaps some issues with Mother Nature, re-ownership may be a possibility. Before you call your broker, you should call your accountant. Some re-ownership strategies are considered speculation, and you may not be able to write off losses if the positions move against you. Once again, it is very easy to turn a bad sale into a worse sale.

Regret is the only sure bet in grain marketing. You'll either regret selling too much or not enough, but you will regret nearly every sale you make. It may be for a day, or month, or a lifetime, but as a farmer, you have to learn to live with grain marketing regret. It is the only grain marketing certainty I can offer you.



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FARM MANAGEMENT MINUTE:

Farm Custom Rates 2010

By Rick Morgan, Northland College Farm Business Management-Moorhead, Minnesota

A common question raised during this time of the year is “What are custom rates?” In the past, I would turn to my trusty Doane’s Agricultural Report Reference Volume, turn to the Building, Machinery and Equipment tab and have at my disposal a list of most applications such as tillage, planting, harvesting and more. For the past several years, I turn to Google to find what surveys have been done most recently.

With the cost of machinery and diesel fuel, the word “recently” is very important. Doane’s, and many State Land Grant Universities, used to do an annual survey, but due to the survey cost they have decided to drop that project. This year, I found the following with 2010 custom rate surveys: Iowa State, University of Kentucky, Michigan State, University of Nebraska, Ohio State, Oklahoma State and Penn State. I found several other colleges listed; however, their surveys were at least a year old.

Iowa State’s survey has an “average” column, along with a column for the range of responses. They go on to use a note of caution to use this rate schedule only as a guide and that actual custom rates can vary outside the listed ranges depending on: the availability of machinery, timeliness required, operator skill, field size and shape, crop conditions and the performance characteristics of the machine being used.



Another good Google search is “farm investor letter custom rates.” This search will bring you to part of the FarmlandInvestorLetter.com site and contains custom rate survey links from 26 states and two provinces in Canada plus the years that they were conducted.

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