TAKE THE EMOTION OUT OF MARKETING

Here we are already at harvest time! So far the weather has been less than cooperative, but our area producers always find a way to get the crop harvested and under a roof from whatever Mother Nature throws at us. With harvest on everyone’s mind, we came across some helpful marketing considerations sent to us by Hurley and Associates out of Brookings, SD, and they were very kind in order to allow us to forward those considerations to you. Their approach in taking out emotion as much as possible and focusing on one’s business objectives we feel makes good sense. We wish you a safe and abundant harvest!

Best Regards,

KEITH KNUDSEN
PRESIDENT/CEO | SECURITY BANK

HELPFUL MARKETING CONSIDERATIONS TO MAXIMIZE YOUR HARVEST POTENTIAL

by Andrew Fink | Hurley & Associates, Agri-Marketing Centers

Many aspects of harvest require careful planning and marketing is no exception. A common marketing strategy at harvest time is to guess what the market is going to do in the next week, month, or year. This strategy is great for causing mental paralysis, and often leads to indecisiveness and frustration when the market does not behave how we expect it to. An alternative strategy is to focus on your business, using logic to drive action and secure revenue. Answering the following questions for your operation will help provide clarity and direction at harvest. (Hint: Turn off the DTN to limit distractions!)
START WITH AN EVALUATION OF CASH FLOW NEEDS
Does my marketing plan generate cash at the appropriate times?
Proactively securing revenue will help avoid being forced to sell when payments are due.

What impact are my projected yields having on break evens?
Once you know your yield, adjusting your break evens is the next logical step. Replacing an unknown with a known helps create clarity for your next set of decisions.

NEXT, REVIEW HARVEST LOGISTICS FOR BOTH SOLD AND UNSOLD BUSHELS
What is my strategy for unpriced bushels that need to go to town at harvest?
Delayed pricing programs seem attractive amidst low harvest prices, but remember that storage fees subtract from any realized market gains or losses.

Selling cash and re-owning on paper is an alternative strategy that provides immediate cash flow and maintains upside in the market.
Securing a basis contract also keeps upside and prevents storage fees.

For bushels going to town at harvest, what is my basis position?
Harvest basis levels can fluctuate significantly, take advantage of attractive levels by locking some in.

Am I leveraging my storage by locking in market carry?
Along with basis improvement, carry is the primary source of repayment for a bin.

FINALLY, MAKE SURE EMOTIONS ARE NOT CAUSING SHORTSIGHTEDNESS
Am I keeping an eye on 2018 and beyond?
Regardless of how excited or uncomfortable you are about your current position, avoid tunnel vision and keep focus on the future. Secure revenue when opportunity presents itself, which is often well out into the future in years with a large grain supply environment.

These questions will not always be easy to answer, especially when emotions are running high. However, building a proactive strategy will put control back in your hands and create clarity for you and your lender.