

This is the fifth in a series sponsored by Asgrow that will discuss consistency and simplicity in grain marketing. Ed Usset, grain marketing specialist with the University of Minnesota, discusses his approach to grain marketing.



Ed Usset

Preharvest Marketing: Take The Profit

“Being a reluctant seller of grain before harvest is a mistake,” says Ed Usset, grain marketing specialist with the University of Minnesota. “Granted, it won’t always work in your favor - nothing works 100% of the time.”

Usset emphasizes this basic preharvest selling mantra during his many talks to growers across the Midwest every year, as well as in his book, “Grain Marketing is Simple - It’s Just Not Easy,” available at www.cffm.umn.edu/simple.

“In the book, written in 2007, I talk about three reasons why I like preharvest marketing. But one of these three - LDPs - has disappeared. They were good a few years back, and helped many growers gain price success, but they are passé now,” Usset says. “So the two, big, equally important reasons to dig into when considering preharvest grain marketing are:

- 1.) Know your production costs
- 2.) Watch for strong seasonal tendencies.”

Know your production costs

First, Usset always reminds growers to follow common sense and know your production costs, so you have a good idea of a profitable selling price. “If you have a handle on this, then you can look for selling opportunities when prices exceed your production costs. Granted, that doesn’t mean you need to sell 100% when the market is 2¢ over your production costs. But it means that you should sit up and pay attention,” he says.

While arguments can be made about how much to sell at a modestly profitable price, there should be little argument about the need to get something sold when a good opportunity arises. “Knowing your cost of production and seeing a profitable price is reason alone to act,” Usset says.

Pay attention to seasonal tendencies

Second, Usset reminds growers to watch seasonal price patterns in new-crop futures, because they often point to more favorable pricing opportunities in the spring.

“These seasonal price patterns are just tendencies, not a certainty, as there are always exceptions,” he says. “But these tendencies are pretty strong if you look at the last 18 years (see chart).

“In corn, eight of the last 10 years have resulted in lower new-crop futures at harvest compared to the previous May. That’s a pretty darn good tendency. In

soybeans, the same thing has happened in seven out of the last 10 years. These tendencies - not certainties - should make growers want to sit up and pay attention,” Usset says. “And the drop in futures prices we’ve seen this year is the biggest drop ever.”

Usset says he always talks about crop insurance, and how these revenue-based tools really give great coverage if you’re wrong and the market goes higher. “And I also like to talk caution about selling more than 10-20% of your grain in future years, like 2010 or 2011, because you’re making an assumption on production costs as well as crop rotation,” he adds.

Attitudes changing

“I am happy to report that I see attitudes changing. More and more producers are losing their reluctance and showing a willingness to set a price before harvest. Low harvest prices make for dreary headlines, but the good news is reserved for producers who take early action at favorable prices. These producers are not getting by - they are enjoying great years,” he says.

Contract	1-May	1-Oct	Change
1990	6.55	6.05	(0.51)
1991	6.09	5.89	(0.20)
1992	6.05	5.33	(0.72)
1993	5.96	6.18	0.22
1994	6.28	5.38	(0.90)
1995	6.06	6.37	0.32
1996	7.58	7.49	(0.08)
1997	6.96	6.21	(0.76)
1998	6.17	5.15	(1.02)
1999	5.14	4.81	(0.33)
2000	5.80	4.90	(0.90)
2001	4.34	4.52	0.18
2002	4.56	5.42	0.86
2003	5.53	6.87	1.34
2004	7.45	5.35	(2.10)
2005	6.22	5.73	(0.49)
2006	6.26	5.45	(0.81)
2007	7.84	9.92	2.08
2008	11.93	10.53	(1.40)
Average	6.46	6.19	(0.27)

CBOT November Soybean Futures, 1990-2008
 ✓ 13 years (68%) the market declined
 ✓ 6 years (32%) the market improved
 ✓ 9 years the market declined more than 50¢!



Listen to Usset expand on this topic at www.cornandsoybeandigest.com/consistency_counts_asgrow.