

This is the first 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

Grain marketing is simple, it's just not easy

Traveling the scenic country roads in the land of 10,000 lakes gave Ed Usset time to ponder one of life's big mysteries: commodity marketing. And in his view, some growers make it too complicated.

As University of Minnesota grain marketing specialist, Usset has spent more time listening to growers than doling out his upcoming market outlook. Why? He thinks growers need to start their marketing with a different approach - one that doesn't begin with the market outlook.

"Listening to producers, I learned that few had a plan to improve their marketing results," Usset says. "So now I talk to them about minimizing or eliminating mistakes in grain marketing, discussed in my book "Grain Marketing is Simple" (www.cffm.umn.edu/simple/).

In a nutshell, here's his simple approach to grain marketing:

1. Have a plan (actually two: pre- and postharvest)

Usset's plan is a proactive strategy to price grain (sell it once) that takes into consideration crop insurance coverage, anticipated production, storage capabilities, etc. Before harvest, it is designed to capture early pricing opportunities, with crop insurance and

with a proactive approach to marketing that seeks to minimize or eliminate mistakes. I don't play the game of market outlook and then try to be 'right' on the market," he says.

3. Know your cost of production

"In a commodity market, common sense says that the low-cost producer wins - and that is exactly why knowing your cost of production is vital to your marketing plan. It determines your competitive position and gives you a starting point for your plan," Usset says.

4. Eliminate mistakes

"Many producers were making simple mistakes caused by a lack of understanding about the market, and each one can cut 10-20¢ or more off the average selling price," Usset says. These five mistakes steal the most money from your pocket:

- Reluctance toward preharvest marketing
- Failure to understand and track local basis
- Lack of an exit strategy
- Holding grain in storage too long
- Misunderstanding carrying charges: Paper farming to avoid storage costs?

5. Listen to the market

Usset believes in tuning out daily marketing chatter in favor of paying more attention to what markets tell us through basis and carrying charges. "Understanding a weak or strong basis is fundamental to selecting the best pricing tool. Understanding carrying charges is critical to the decision to store grain," he says.

6. Look ahead

Realize that not all pricing decisions are going to be right. "Many advisors would have you re-buy and re-sell your grain in an attempt to right your wrong decisions. I suggest accepting the fact of the wrong decision, and look ahead to the future rather than spend time with old decisions," Usset adds. ♦

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cost of production being critical elements. A postharvest marketing plan involves an exit strategy along with tactical matters such as storage opportunities, carrying charges, basis, LDP, the seasonality of cash and futures prices and appetite for risk.

2. Find the dime

Usset claims these three words as his mantra to producers. "The goal is to find the dime (or dimes)



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