

April 27, 2011

Change

Change has always occurred in agriculture and the markets. Change occurs in our personal lives as well. I will be retiring (again) at the end of the month. Many of you know that I retired about three years ago, but came back to work part time. During this time most of my effort has focused on grain marketing. However, budget reductions and other factors make it time to retire again.

Looking back, this newsletter (“Decisive Marketing”) has changed throughout the years. In 1988, as an extension farm management specialist, I assumed responsibility for a marketing newsletter that had originated in the Chariton County extension center. For most of us, making sales decisions has always been one of the more difficult management decisions. I decided (with a little help) that if the purpose of newsletter was providing information to help making marketing decisions, “Decisive Marketing” seemed like an appropriate title. I began writing a short paragraph each week about marketing strategies and included grain/livestock marketing outlook information prepared by University of Missouri marketing specialists. In two to three years, the paragraph had grown to an entire page of market strategy discussion. In 2001 I moved to campus, first in the Value-Added Agriculture Center and then to FAPRI. “Decisive Marketing” became a monthly market strategy newsletter intended to provide a little more in-depth focus on marketing strategies.

From 1988 to 2011 there have been many changes affecting the grain markets. The ’88 drought and the flood of ’93 resulted in high prices. A short crop in 1995 resulted in record high corn prices in 1996, but 1999 followed with 28-year lows for soybean prices. Government farm policy affecting marketing strategies has included set aside acreages, base acres, PIK & Roll, CRP, transition payments, Freedom-to-Farm, LDPs, Direct Payments, CCPs and ACRE. Fund traders, energy markets, domestic economy, foreign economic factors, value of the dollar, foreign political unrest and unexpected events in other countries have grown in importance to grain markets in recent years. This has led to volatile markets with limit up or down moves in futures prices occurring frequently. In spite of all of these factors, fundamentals (supply and demand) remain important. Strong ethanol demand for corn and Chinese imports for soybeans have been major market factors, but feed demand, corn exports and domestic soybean crush have remained important as well. Foreign production problems and strong global demand also continue to support prices. US production worries are now rising to the front as wet conditions are causing worries about planting delays. With strong demand, good US production in 2011 is very important. These and other factors continue to support strong uptrends in the markets.

The more things change, the more they stay the same. One of the first issues of “Decisive Marketing” was in May 1988 as the futures market was rallying on widespread drought in the Corn Belt. I pointed out the fact that prices were at profitable levels, getting the market high price was unlikely and briefly discussed various strategies to capture profitable prices. The advice included: “don’t ride the market up and watch it fall without taking advantage of profitable prices. . .” Surprisingly, the same still advice applies today. Grain prices have been in uptrends since last June with corn recently setting a new record high. Some analysts are still looking for “eight dollar corn” and soybean carryovers remain tight suggesting continued price strength. However, current prices are profitable and getting the high is still unlikely. Sharp downside daily futures price reactions have occurred and suggest that considerable downside risk also exists. In recent months, I have mentioned a variety of methods for setting price targets or determining sales strategies to follow the markets and capture profitable prices. As a parting thought, just as in 1988, “don’t let profitable prices get away!”

What are my retirement plans? Will I continue doing grain marketing? I don’t have any specific plans for what I will do. I have enjoyed what I have done in marketing risk management and will remain open to any possibilities. For now, I intend to catch up on a few tasks and slow down a little to consider what comes next. I don’t anticipate having nothing to do. Good luck to everyone and I wish you continued success in your marketing activities.—Melvin

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