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FARMER FRIENDLY MARKET PLAN

Instructions for Pre-Plant/Growing Crop & Stored Grain Marketing worksheets

A written plan, based on existing market conditions, enables a disciplined approach to grain marketing that is a result of sound business decision making rather than “spur of the moment” sales based on emotions of greed or fear. Some written marketing plans are complex and contain multiple pages. These detailed plans contain information about breakeven costs, specific market strategies and tracking of sales. They also require considerable production information, financial data, and market information to prepare. The problem with these complex plans is that they are time consuming to prepare and the volume of information makes them difficult to monitor. These characteristics also make farmers reluctant to revise or update them as market conditions change. While a detailed plan can be valuable, a less complicated one-page plan can also be an effective business planning tool that is easier for many farmers to update and use. With only one page of information to review, it can be referred to quickly for making sales decisions in volatile grain markets.

The *Pre-plant or Growing Crop* and *Stored Grain* market plans are examples of simplified formats for preparing written marketing objectives in a one-page plan. They are intended to be used as a “fill-in-the-blank” plan for setting price, quantity, and time goals. They also contain space for brief descriptions of market risks, marketing strategies and alternatives for flexibility to meet changing market outlook.

The Pre-plant or Growing Crop and Stored Grain blank plans are similar, except for some differences in the top portion of the plan that identifies the crop, planning dates, and grain quantities available for sale.

The Pre-plan or Growing Crop plan includes a place to record estimated production and amount of available storage to estimate grain quantities that will be sold or delivered at harvest. Space is provided in both plans to record the quantities to be sold, previous sales, amounts of grain with price protection (such as options or minimum price contracts), and the amount of grain left to sell. Average price of grain already sold may also be recorded. The Stored Grain plan also provides a place to record average harvest time price and breakeven prices needed to recover storage costs. Breakeven storage costs may be estimated using the *Grain Store/Sell Decision Aid* available at:

http://www.fapri.missouri.edu/farmers_corner/tools/index.asp?current_page=farmers_corner

The *Price Objectives/Goals* is the most important portion of the plan. Some may want to complete the *Risk/Opportunities* and *Strategies* portions of the plan to help evaluate current market outlook before determining and recording the price targets and quantities to be sold. Space is provided for upside price goals and downside price traps or stops. The upside targets represent

the desired higher price goals. The downside traps represent prices to capture if the market fails to reach upside goals and starts to decline.

Which market prices should be used for planning, cash or futures? Either one may be used. Producers desiring to make cash sales only, may want to use local cash prices for targeting sales. However futures prices are usually more readily available from a variety of sources daily, which may make it easier to monitor market action and quickly react with sales based on futures price targets. If futures prices are used, basis needs to be accounted for in calculating the net cash prices received. Futures prices may also work better to trigger hedge sales, hedge-to-arrive contracts, and using options to protect prices.

Space is provided for recording quantities to be sold and time deadlines for sales. Seasonal price patterns are useful in making market decisions, suggesting time periods during the year when market highs or lows often occur. Time deadlines, based on seasonal trends, can trigger sales when price targets have not been met and before a seasonal price decline occurs. Space is also provided to record prices received as sales are completed.

The *Options* section of the plan can be used to record option strategies used to protect prices and track the gains/losses from the option strategies. If desired, this portion of the plan may be modified to record minimum price cash contracts if they are used as price protection instead of options.

The *Risk/Opportunities* and *Strategy* portions of the plans provide a place to record brief comments about market

conditions and how sales will be made. Including these comments in the plan confirms that price targets are reasonable for current market conditions and helps make selling a disciplined business decision rather than an emotional decision based on fear or greed.

The *Flexibility* portion of the plan is provided to encourage including marketing flexibility and preparedness for changes in market conditions. Producers are often worried about “*what if I’m wrong?*” This can apply to worries about making early sales prior to summertime weather rallies or waiting too long to make sales when a market peaks early and then declines. Examples of strategies to include here are how sales will be spread throughout the marketing year or option strategies used to avoid missing higher price opportunities.

Plans should be reviewed or updated every 2 to 3 months or when all previously planned sales objectives have been met. A blank is provided in the top portion of the form to serve as a reminder of when the plan should be updated.

While these marketing plans are designed to be used as a simple one-page market plan, they are only an example of what may be included in a plan. A producer writing a marketing plan, using these forms, need only complete the parts of the plan deemed necessary for the plan to be useful as a tool for disciplined marketing. Modifying the plans or using other plans that better fit the producer’s operation or marketing methods is also encouraged. Remember, the primary objective of preparing a written plan is to set reasonable price objectives for current market conditions and facilitate disciplined marketing of grain.