

Farmer's Corner



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May/June 2014

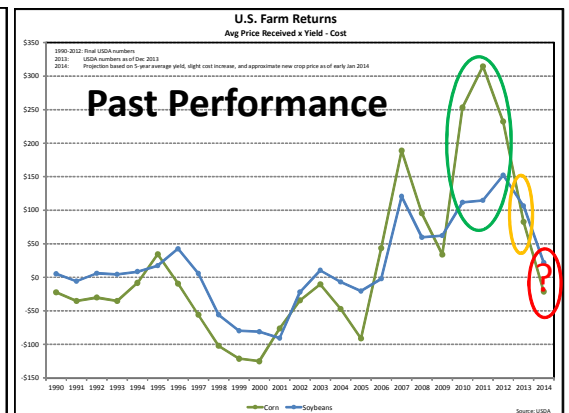
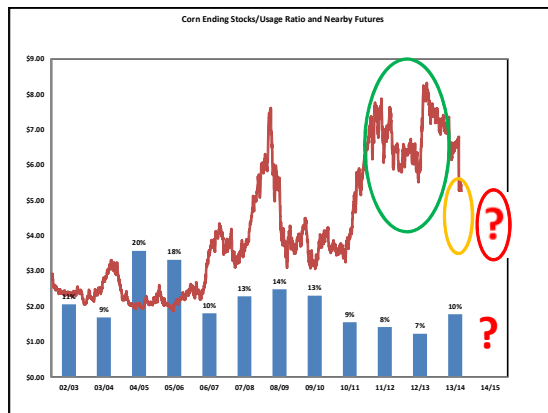
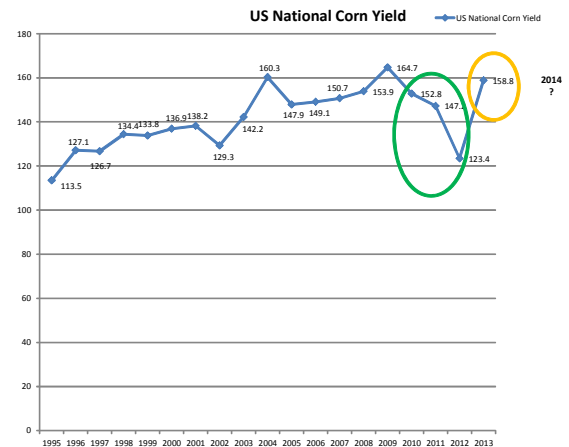
FOR THE BEST . . . WE'RE YOUR FRIENDLY GRAIN MARKET

Number 3

THE SEASON OF UNCERTAINTY, A TIME OF OPPORTUNITY

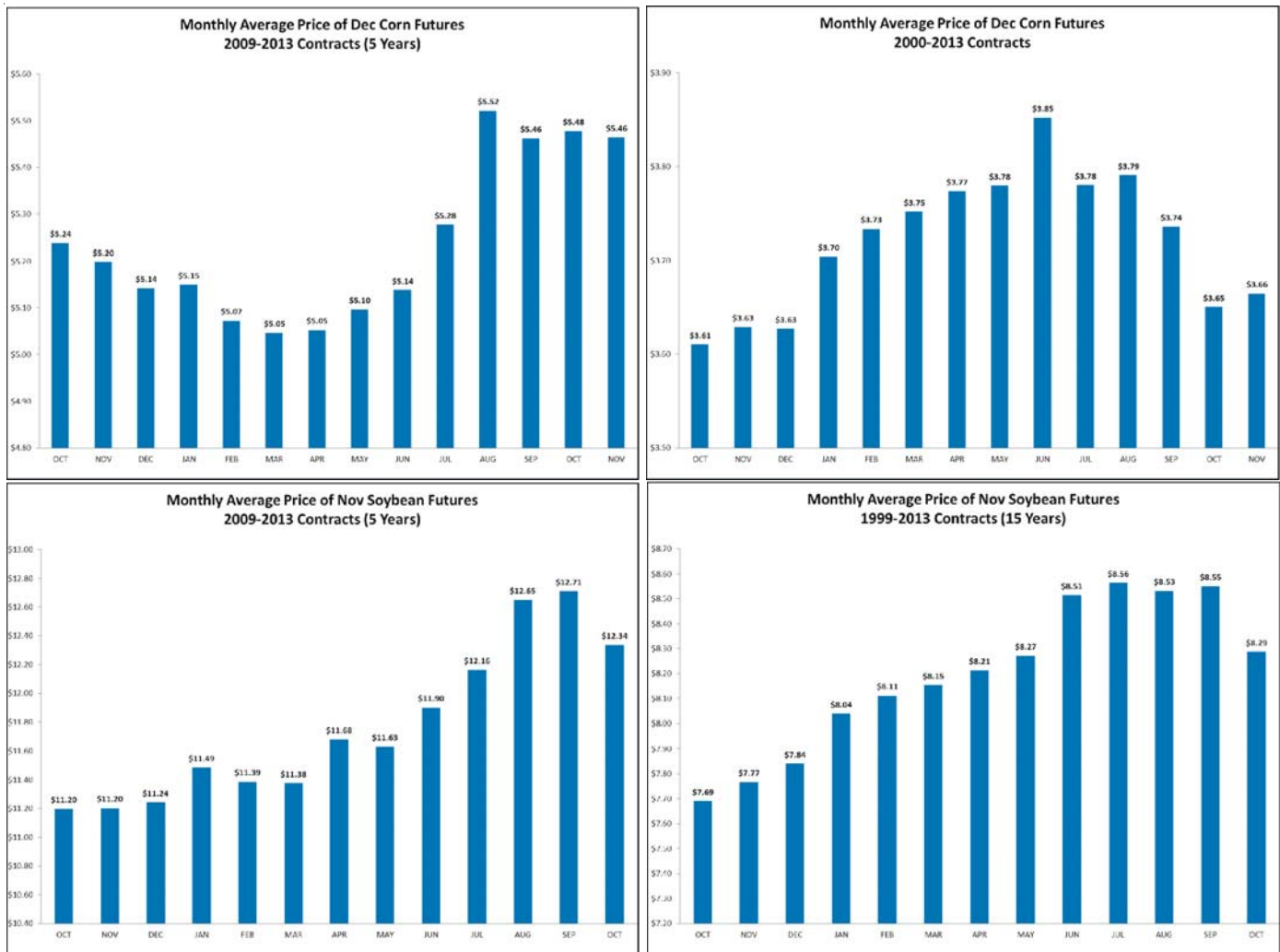
Our human nature is such that we prefer stability over instability, certainty over uncertainty. But in the grain marketing world, instability and uncertainty create opportunity. During 2010, 2011 and 2012 crop years we saw uncertain supplies in the face of strong demand for your products. These circumstances resulted in record profits in cash grain farming. In 2013, crop production stabilized, with more normal yields, less uncertainty, and the profit per acre dropped accordingly. Going forward, as we plan to market 2014 crops and beyond, are there ways to capitalize on uncertainty? Let's look at uncertainty from a big picture, grand scale view and from a seasonal perspective.

From a big picture perspective, three consecutive years of reduced yields, resulting in three years of declining stocks/use ratios gave producers three years of high prices and high profits per acre. The uncertainty of whether or not there would be enough bushels to satisfy the demand until the next harvest, served to create good farm marketing opportunities. In 2013 the uncertainty diminished with higher production, higher stocks/use ratios, lower prices and profits. Figures 1, 2 and 3 demonstrate these statistics graphically. At this point in time, we have no idea about 2014 yields, carryout, prices or profits, a fact that in itself creates uncertainty, which leads to potential marketing opportunities. In the grand scheme, times of scarcity and uncertainty create marketing opportunity, while times of stability bring the reverse and the market is always attempting to determine which it will be.



At this juncture in 2014, we are now in the season of the year that is filled with uncertainty about 2014 production. As of this writing, we don't know much about 2014 crops, except perhaps the prospective acres to be planted to corn and soybeans. We don't know if all of the acres will be planted; we don't know anything about the growing season, whether it will be too hot or too cold, too wet or too dry or whether it will be a perfect growing season. Nevertheless, there will be no shortage of prognosticators who are willing to venture guesses on each of these factors. Regardless of the credibility of these guesses, they have a way of impacting what the market thinks grain is worth. Often, this scenario provides good short-term opportunities to price some new crop bushels. Seasonally, what has been the best period of the year in which to price new crop bushels?

The accompanying charts show that the answer to this question varies with whether we are experiencing scarcity or plenty. During the five year period between 2009 and 2013, which included three years of declining production and stock/use ratios, the best pricing opportunities came shortly before the harvest period and waiting until harvest to price worked well. The period of uncertainty lasted until harvest. In the period from 2000-2013, which includes a greater number of years having adequate supplies, the best pricing opportunities were earlier in the spring or summer and waiting until harvest to make pricing decisions resulted in a loss of opportunity. During years of bounty, the period of uncertainty ended earlier. So, what can we do with this information, since our crystal ball has not yet revealed what the 2014 growing season will be?



It would seem to be prudent to take at least a defensive position on some bushels and prepare for a good growing season with more adequate supplies. Work up a marketing plan based on cost of production and desired profit which will easily convert into a target price. Expose your crop to the market now during the present season of uncertainty using Target Offers. Allow this effective tool to work for you, free of charge, 17 hours per day, five days per week. As always, we are ready to help you implement a marketing plan that fits your business. We wish you a very successful season as you plant and care for the 2014 crops!