

Seven Out of Ten

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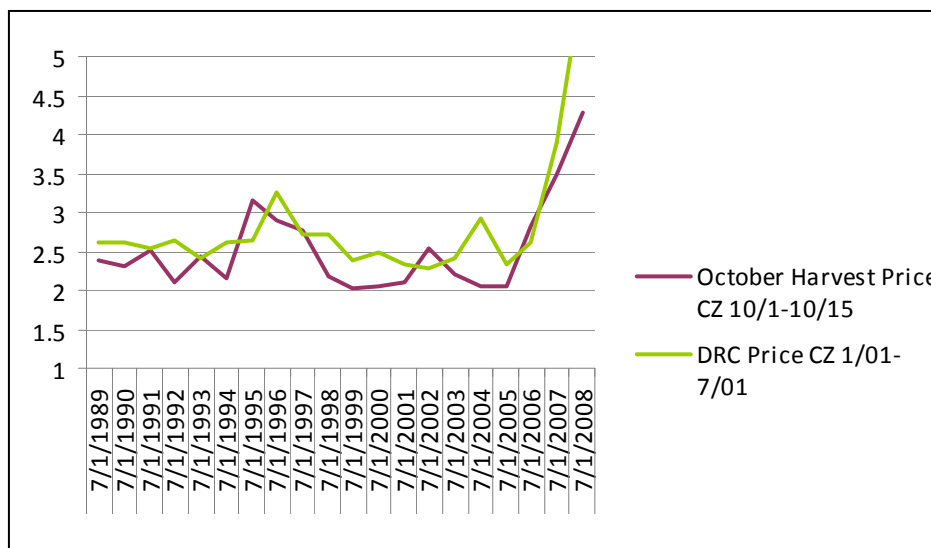
When is the best time to price my grain? It is the question that producers are constantly asking themselves, and often the driving forces behind their answer are emotion and stress.

The question itself is a simple one, but with an almost infinite amount of information to evaluate before reaching an answer. What kind of information? The domestic and global economies, market volatility, planting intentions, supply and demand, input costs, weather.....it just goes on and on. Not to mention that once the decision has been made, all this information can then lead to second guessing.

Despite the excess of information, there is one key point that has been consistently proven 70% of the time. Historically, it has been advantageous to price grain prior to harvest rather than at harvest, 7 out of 10 years.

The DRC pricing tools provide producers with the opportunity to take advantage of this fact. They also aid in taking the emotion and stress out of the equation by providing the opportunity to make multiple pricings for an average.

The graph below shows the DRC “Market Index Fund” average for the past 20 years. This is a daily pricing of a portion of grain for DEC delivery between January 1st and July 1st of each year since 1989. An average of DEC pricing in October was used to emulate a typical harvest price point.

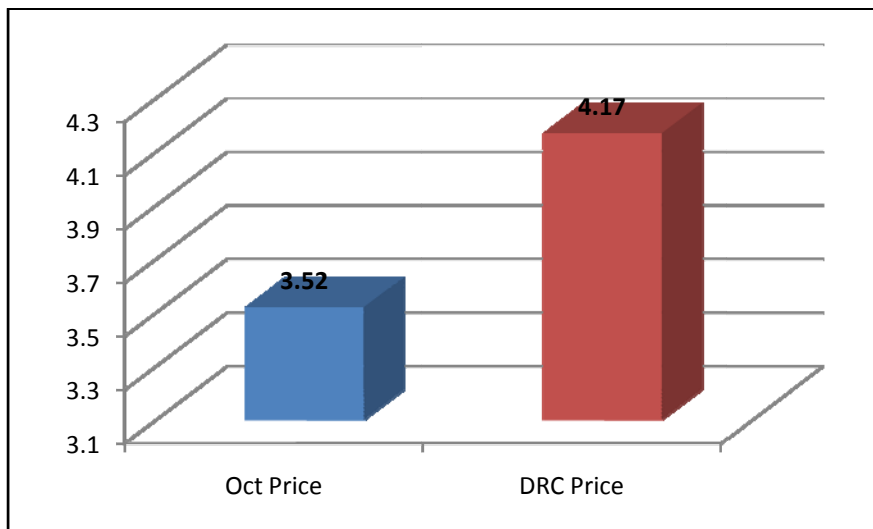


In this example, the DRC 20-year average price was \$2.82 per bushel, while the average harvest price was \$2.52 per bushel. Over the past 20 years, the DRC price showed an improvement of 12% over the harvest price. How many bankers would be impressed with that kind of return?

The emotion, stress, and second guessing involved in a pricing decision often leads producers to ultimately do nothing at all. A disciplined and planned approach is often cast aside when it doesn't work as well one year as it did the year before.

This was proved in 2006, 2007, and 2008 by the majority of producers. Plans were in place in 2006 for pricing prior to harvest, but 2006 harvest prices often bested those plans. In 2007, prices went up and harvest prices again beat out any pricing done prior. Then 2008 hit. Prices continued to increase until other market dynamics came to the fore. There's a saying that "high prices tend to take care of high prices", and in 2008 they did exactly that. The vast majority of producers waiting for the golden prices of harvest were left to second guess once more.

The following graph shows a snapshot of this three-year average using the same "Market Index Fund" DRC shown above. The DRC price showed an improvement of 18.5% over the harvest price in these three years!



Seven out of ten. Better odds than flipping a coin, and certainly better than not doing anything at all.