

Corn Growers Can Learn To Benefit From Managing Risk

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CARLISLE (Cumberland Co.)—Cash crop corn growers can no longer think of simply growing their crops and selling them. Those days are gone.

It's time for the day of the marketing plan.

As a grower, if you don't have a plan, as the market becomes increasingly complex and volatile, it can cost you lots of money in lost profitability. Not having a plan can even cost you money, period, according to one grain buyer during the corn growers segment of the annual Pennsylvania Crops Conference last week at the Embers Inn.

Don Newhard, Newhard Farms in Lehigh County, grows a variety of crops on 1,400 acres of mostly rented ground, including corn, sorghum, wheat, barley, sweet corn, alfalfa, and "plenty of houses."

The "houses" part is a reality that many growers have learned to live with in that part of the state, with increasing development pressures.

"We have a saying," said Newhard, "that the last crop is

blacktop, and believe me, the paver is busy."

In the old days, according to the corn grower, a grower simply trucked the product to the mill and back, empty. "We paid the bills. We existed," he said. "We were not exactly marketing in the fall at the upper one-third of the price range."

As a result, a move has been on in recent years to develop a grain marketing club. The Lehigh Valley Grain Marketing Club started and has helped the club get the best price for their corn through a variety of options available to every grower.

Newhard said that marketing is necessary "365 days a year" in order to get the best price for crops. He told the producers that is important to write a marketing plan and "post it where you can see it every day."

The plan does not have to have many pages with complex charts and graphs. All it has to do is spell out the amount of corn grown, in storage, cash flow, and costs.

"Write it all down," he said.

"It doesn't have to be that technical. But we need to think about it every day."

Over the years, Newhard has learned to "find out what the corn market is going to do, and do the opposite," he said.

There are many tools available to provide information on how the market is doing. Information sources include the DTN satellite system, the Wall Street Journal, and newsletters including the Russell Report and ProFarmer.

The Lehigh club meets every three weeks at a local restaurant to review options available to growers and to talk about the market. Newhard briefly described some of the "insurance" options growers can place on the grain crops grown.

The group is now in the middle of learning more about the market tools available through a series of videotapes. The series, "Ag Marketing and Entrepreneurship," includes 15 tapes, each three hours long, that review current marketing strategies and tools.

"Follow the plan, that's the important thing to do," said Newhard. "When you hit the

target, pull the trigger."

Membership in the Lehigh Valley club is \$100 per year.

A similar club, the Central Susquehanna Valley Grain Marketing Club, began in the Lewisburg area as a multicountry effort. The club, like the Lehigh Valley club, is modeled after the highly successful grain marketing clubs in Maryland, with similar goals. Cost for membership is \$125 per year.

Bill Robinson, president of Cramer Feeds in Cramer, processes 100 tons of feed per week, including 20,000 bushels of corn per week for poultry operations. He also has a family farm, on which he works full time.

Robinson reviewed what is "old" and what is "new" in terms of marketing.

Old concerns for growers include the fears of price risk, worries of storage corn prices, and about the weather. New in marketing is the fact there is a phenomenal demand for product. "It's a seller's market," he said.

Cramer purchases more than one million bushels of corn per year for poultry operations. Robinson said that growers should become more active in grain marketing clubs and learn to manage the risk of the marketplace.

Of the current high prices of corn, ranging from \$3.50-\$3.70 a bushel, Robinson said, "I think the farmers deserve them." This provides farmers with the opportunity to "get

back on their feet and guarantee some longevity in agriculture."

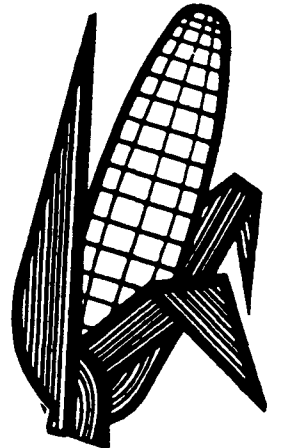
For the grower, knowing how to manage risk comes down to "knowing what the costs are and taking advantage of the market," which is difficult. But there are many tools available for the grower, including insurance such as puts and calls that reduce the risks.

That type of insurance is necessary for cash grain growers and should be part of the operating budget, according to Robinson. If a producer decides not to market, "that is still a cost," he said, which could show up in lost profits.

Robinson reviewed some of the options available and explained how useful they can be.

Staying in touch with the mill and looking at various reports available from the Chicago Board of Trade can help.

For more information on the clubs, contact Tom Murphy at the Lycoming County Cooperative Extension, (717) 327-2350.



A panel at the Pennsylvania Crops Conference focused on managing risks in corn pricing. From left, Don Newhard, grower from Lehigh County; Bill Robinson, president of Cramer Feeds; and Tom Murphy, Lycoming extension agent, moderator. Photo by Andy Andrews

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