

Use Crop Marketing, Insurance To Protect Profits

ANDY ANDREWS
Editor

ALLENTOWN (Lehigh Co.) — The corn market forecast year looked pretty bearish to one economic forecaster in January this year.

If so, the earlier you sell in a bearish market, "the better off you are," said Bob Utterback.

Utterback, a registered commodity broker and president of Utterback Marketing Services, Inc., (UMS) in New Richmond, Ind., spoke near the end of January about market strategies.

Utterback addressed about 112 corn growers and agri-industry representatives at the "Decisions: For The Real Beginning of the 21st Century" Conference at the Days Inn and Conference Center near Allentown.

Sponsored by the Lehigh Valley Grain Marketing Club and Penn State, the crops marketing conference looked to ways to ensure profitability by looking at ways to make crop investment insurance work for the grower.

For growers, "D-Day" is March 31, when the USDA releases its expected plantings report.

For the planting year, one of four patterns can develop:

- A slow seller's nightmare. This is a condition in which there is too much supply, too little demand, adequate planting, no significant weather-related yield event (such as drought or too much rain), no seasonal rally, and a sell-off all year. Too much supply and too little demand are huge culprits and bear down on prices.

A producer has to operate like an elevator — that is, buy

grain on a wide basis and sell the carry. However, too many producers hold their grain, expecting a flat price rally that hardly ever materializes.

"It's very difficult for farmers to sell carry," Utterback said.

- Pattern 2, a seasonal rally into the spring, normal yield, hard break into early harvest — a time of uncertainty and anxiety, noted Utterback. "We need to be better marketers," said Utterback. Investing in crop insurance is key.

- Pattern 3, counterseasonal. This includes a normal spring, a weather rally, a sell-off on assumption of good yield, late season weather event, and a major counterseasonal fall event. Such a period allows the market to be "very violent, very emotional," Utterback said.

Utterback noted that in January at the conference, he sees a drought year in 2001. He looks to not only this year, but what he plans in 2002 planting season as a result.

"A marketing plan is a plan for failure," he said. "It addresses what I'm going to do if I'm wrong."

Producers can no longer hold onto corn, waiting for a flat price late rally. They have to think through a marketing plan that incorporates crop insurance, proper forward pricing (price hedging included), and use loan deficiency payments, or LDPs.

- Pattern 4, start slow and rally hard. There won't be a repeat of the 1996 "bullish" event, according to Utterback.

A grower can't simply plant corn, harvest it, and wait to sell it. Growers

should:

- Aggressively use crop insurance programs to assure yield.

- Focus on seasonal sales for corn.

- If target price is not hit by desired time, move to automatic format.

- Focus on defending a short (sell) position against a weather event. Producers should assume that every time they decide to sell, that decision could be wrong, and they should devise a "battle plan" to ensure they get the best price.

- Focus on protecting LDP next fall.

- Move grain as soon as basis narrows.

More and more, producers will have to delegate the work of protecting the crop price to services and brokerages.

For growers, the good news is that corn usage is increasing; China continues to be a major uncertainty in the market; and for prices to be explosive in 2001 for U.S. producers, "we need to see a significant reduction in domestic (U.S) corn," according to Utterback.

The lack of fertilizer because of the natural gas crunch will mean less yields and perhaps improved prices.

Growers should remember that just because they produce a crop, producers have to ask themselves "what does our client want, not what we want," said Utterback.

Utterback's company, UMS, predicts 2001 will have 78 million acres in corn, 136.5 bushel per acre yield, with a supply of 11.5 billion bushels. Estimated U.S. cash price is \$2.20 a bushel.



CORN TALK NEWS

PENNSYLVANIA MASTER CORN GROWERS ASSOC., INC.

An adequate corn supply exists now, but bullish issues are developing. If demand remains strong, acres should drop, and any yields beyond 137 bushels per acre should result in a pattern 3 or 4 for corn.

Utterback predicts a high corn market this year.

For an old crop in storage, growers should wait to sell the inventory until April or May, but get in a position to sell 2001 crop right away.

Some tips for planning:

- Target price at \$2.60-2.65 per bushel.

- Prepare a defensive strategy, through puts or calls, to ensure the price you want.

- Obtain crop insurance.

- Make basis decision, limit risks on calls.

- Obtain disaster insurance.

- Develop an LDP strategy.

"We are as bullish as we can be, at least since 1995," Utterback noted.



MTBE Legislation Would Not Strike Oxygenate Requirement

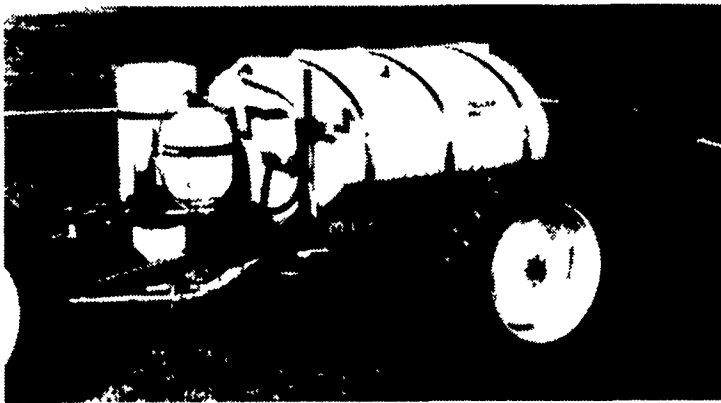
A Senate bill banning MTBE would not rewrite clean air laws, and could significantly boost the market potential for ethanol. Sen. Peter Fitzgerald (R-IL) reintroduced the "MTBE Elimination Act" on Feb. 6. The legislation would eradicate the toxic fuel additive within three years, and contains a number of provisions specifying gasoline labeling and environmental monitoring requirements. "We should eliminate MTBE without sacrificing air quality, and I be-

lieve we can do that by promoting ethanol as an environmentally friendlier substitute in the clean air program...

Proposals to repeal the oxygenate requirement attack the wrong problem. The problem is not the oxygenate requirement, the problem is MTBE," according to a Fitzgerald news release.

A USDA study projected that a nationwide ban on MTBE followed by replacement with ethanol in the country's gasoline supplies could boost farm income by \$1 billion annually and create 13,000 new jobs in rural America.

MILLER PRO



**Sprayer w/Hydraulic Booms
Operator Friendly Controls**

**See Why It Is Your Neighbors
Sprayer of Choice**

New & Used At...

ZIMMERMAN
FARM SERVICE, INC BETHEL, PA

1/2 Mile West Off Rt. 501 On School Road
717-933-4114

**HEAT,
OXYGEN,
AND THE ELEMENTS...
ARE ALL
ENEMIES
OF STORED FORAGES
★ AND HI-MOISTURE ★
GRAINS.**

**PROTECT YOUR
VALUABLE FEEDS WITH
A Poured CONCRETE
TOWER SILO.**

SOLLENBERGER SILOS CORP.

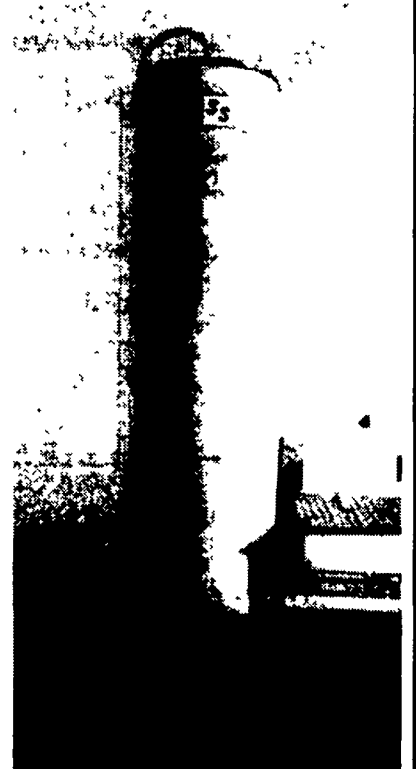
Call the office nearest you:

Corporate office, Chambersburg, PA

1-800-909-6909

Star Silos, Myerstown, PA

1-800-431-7709



16'x68'
about 10,000 bu. cap.

Shelled Corn

Poured Concrete

No Used Silos!

No Rebuilt Silos!

No Preowned Silos!