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**“WHERE FARMERS  
FUEL AMERICA”**

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Poet Grain and everyone else offers you an endless buffet of tools to help you analyze your financial decisions. Some of these tools are very good. But let’s cut to the chase. A budget is only as good as our knowledge of the possible outcomes and the timing thereof. Those that get swept up in the details, often find themselves dizzy with too many *variable* variables and unable to make a decision.

As I look for ways to simplify decision making while looking upon a generic budget with more than 30 floating variables, I’m not so sure that those that think about things for hours versus those that take only a few minutes, end up much different, so long as both make a decision and both execute. There’s a million ways to get from A to B, but all require a decision and action.

Here’s some simple ways that I think we can make decisions easier without getting caught up in the details.

1. **Think barter.** The world used to operate on a barter system before things got complicated. I’ll trade you 6 of these for 2 of those. A good deal for you was how many units you had to give up to get something else. In the same way, new programs are rolling out such as tracking the spread between grain prices and fertilizer prices. Whenever it takes less bushels to buy a ton of fertilizer, then it’s a good trade...barter. You don’t have to know if the price of grain or fertilizer is going higher or lower. You only need to know when the barter looks favorable. How many bushels of beans does it take to buy a \$50,000 truck. You may run out and buy a truck because you get \$10,000 in rebates and sell \$10 beans to do it. You’re no better off than if you get no rebates and sell \$12.50 beans. The barter is the same, exchanging the same number of bushels for something you want. If we only focused on how many bushels you had to give up to get the things you needed, you’d probably be a better manager, cutting out all the noise and confusion that too many “experts” provide.
2. **Mark grain to market.** Keep track of gross grain revenues to date plus the value of what is left in the bins. In the grain accounting world we call that marking things to market; the sum of the realized sales plus what could still be sold. We do that once/month. If you had no other goal but to increase your gross revenue per acre each year, and you locked that down each time you found yourself able to do that, 10 years from now, you’d find yourself far ahead, scoring base hit after base hit. Is that a reasonable expectation? It is when you are not looking at price or bushels alone, or listening to the grain and weather forecast, but rather watching how many total dollars are available in the bucket, compared to the month and year before.

BRUCE BUCK

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- 3. Inconvenience pays and convenience costs.** When you called to sell your corn and you find yourself wanting 5-10 more cents than the spot price, if you wait, you're odds are 50/50 that you take less. I guarantee there are to-arrive bids or programs that will get you that 5-10 cents more the day you call. They might be inconvenient. Do it anyway and find yourself ahead of last year. If marketing always runs around your schedule and wants, you are always paying big money for that convenience. The market tells you when it wants corn and is always structured to pay you for your inconvenience.
- 4. Take your own good advice.** We all lack execution of what we already know to do.
- 5. Be consistent.** The easiest way to lose is to float in the breeze with every piece of new information. Everyone will be wrong from time to time, be it a little or a lot. If you are consistent, you're usually only wrong half the time. If you change your opinion of the market frequently, you can be wrong multiple times and it can cost you multiples. Grain markets prove that point over and over, the same people long in a downward market and short in an upward market. Sell your grain one time, profitably. Profit is always offered at some point and often enough for those that are consistently selling at those times.
- 6. Know where your risk lies.** When you have a few bucks in your wallet and you lose it, you're worried, but not devastated. When you have several hundred dollars in your wallet and lose it, you panic. Most who find themselves with several hundred dollars in their wallet, take a portion of it out and put it somewhere safe, say in a safe or in the bank. You don't have to complete a spreadsheet or take a class to know intuitively that it's not a good idea to carry too much money in your wallet. When you put grain in a bin and corn is \$3.00, it's like putting \$100 in your wallet. It's comfortable and you're glad you have it as it will cover most of your anticipated needs, but not all. When the market gives you another \$100 to put in your wallet, you now have \$200 and again, you're glad to have it as you know it is more than what you will need most days. The probability of losing your wallet has not changed, but the financial risk has doubled, and you find yourself taking the extra \$100 out and putting it in the bank or safe. So why do so many of us consider our grain bins our wallet and when the value of that grain has doubled, same as finding \$1000 in your wallet, we worry less about it than if our wallet was empty? Write down the value of each grain bin weekly or monthly and the total value. A 20,000 bushel bin @ \$3.25 = \$65,000. If next month, the value of that grain bin is \$80,000, you better start putting some of that extra money you found in the bank. You think your financial risk is greatest when prices are cheap. I would argue the opposite. Your greatest financial risk is when grain prices are high. It is at those times that there's someone ready to steal your wallet and your too busy, counting your new found money to notice the guy sneaking up behind you. This goes back to point #2. Mark to market your sales plus inventory monthly and don't keep too much money in your wallet at one time.

**“WHERE FARMERS  
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The March planting intentions report will likely show something similar to the below, which is the industry’s current projection. 20/21 ending stocks could be as high as 2637 with an average farm price that is 25 cents lower than this year. Time will tell. But, rallies will be confined to a realization of less acres being planted or yields being challenged, and that won’t happen till late spring or summer. Between now and then, it is very advisable to sell more ahead than normal. In 2014, December futures traded from a high of about \$4.10 to a low of less than \$3.20 by August. There is significant risk this year to encounter something very similar. What makes prices go higher? Usually, it’s to make someone stop using corn. For ethanol, we’re already there. For exports, we’re just weeks away from a cheaper SA crop. The China trade deal currently has the coronavirus. Be forewarned.

**Table 3. Corn Supply, Demand, and Price, 2017/18-2020/21**

	2017/18	2018/19	2019/20 1/	2020/21 2/
Area planted (mil. ac.)	90.2	88.9	89.7	94.0
Area harvested	82.7	81.3	81.5	86.6
Yield (bu./ac.)	176.6	176.4	168.0	178.5
Production (mil. bu.)	14,609	14,340	13,692	15,460
Beginning stocks	2,293	2,140	2,221	1,892
Imports	36	28	50	25
Supply	16,939	16,509	15,962	17,377
Feed & residual	5,304	5,432	5,525	5,800
Ethanol 3/	5,605	5,376	5,425	5,450
Total food, seed & industrial	7,057	6,791	6,820	6,840
Total domestic use	12,361	12,223	12,345	12,640
Exports	2,438	2,065	1,725	2,100
Total use	14,798	14,288	14,070	14,740
Ending stocks	2,140	2,221	1,892	2,637
Stocks/use (percent)	14.5	15.5	13.4	17.9
Season-avg. farm price (\$/bu.)	3.36	3.61	3.85	3.60

## Never Satisfied Grants

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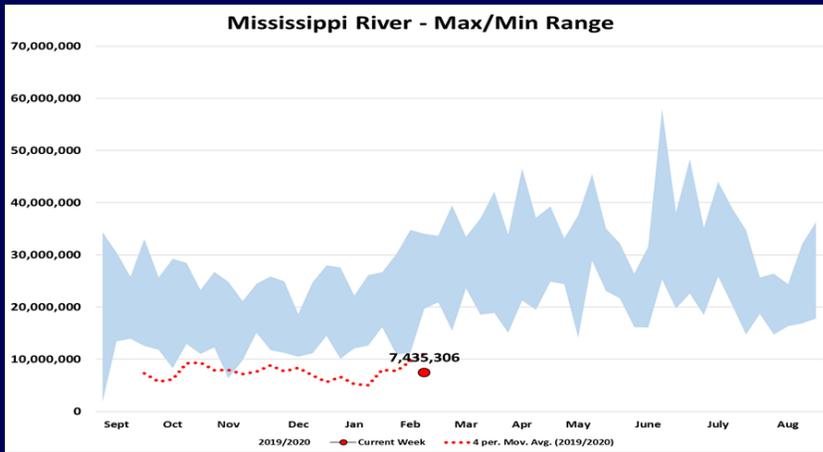
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The advertisement features a light beige background with blue and orange geometric shapes in the corners. The text is arranged in a central column, with the Poet logo at the bottom. The grant amount '\$3,000' is prominently displayed in a large, bold, blue font.

# Exports & The MISS

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Exports on the MISS started off sluggish & that hasn't changed. While some local grain stocks have found their way to rail facilities, those waiting for the river to open and prices to respond may be in for a big disappointment.

Week 24	2019/2020	2018/2019	YY Change
PNW	18,091,908	261,974,146	-243,882,238
Gulf	316,146,894	531,108,498	-214,961,604
Interior	142,076,286	157,668,467	-15,592,181
Other	8,201,673	7,120,938	1,080,736
<b>Total</b>	<b>484,516,761</b>	<b>957,872,049</b>	<b>-473,355,288</b>

An estimated export program of 1.8 billion comes from more places than the MISS river. You can see that MISS shipments are down 40%, or some 214 million bushels...so far.

It's never a good thing when one of the largest companies in your industry decides to file for bankruptcy. Such news sends shivers down the spine of everyone, from CEOs to deck hands to suppliers.

But financial, management and market circumstances often dictate such decisions, and many times they are for the best, enabling the company to reorganize, redirect, reinvest and forestall outright closure.

Troubles at **American Commercial Barge Line (ACBL)**, one of the largest barge operators with a fleet of 3,550 covered hopper and open barges for dry products and tank barges for liquids that operate mostly along the Mississippi River system, have been mounting for the past few years.

Based in Jeffersonville, Ind. and in operation since 1915, the company officially filed for Chapter 11 bankruptcy last Friday at the U.S. Bankruptcy Court in Houston, seeking court approval of an agreement with a group of lenders to restructure more than \$1 billion of debt. It's not the first blush with bankruptcy, and the company rebounded from a filing in 2003; it was bought by equity firm **Platinum Equity** LLC for nearly \$800 million in 2010.

Exports have been low enough that barges have been offered for less than cost for months, causing major barge companies to declare bankruptcy. That means barge freight won't get cheaper, but only higher in future, making corn bids at the river lower as it relates to transportation costs.

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County yields were released 2/20. Once again, our own estimates were not far off the mark, although yields reported by the Statistics Service are vary vague as compared to other States. Total 2019 production was off only slightly compared to 2018, matching our own thoughts.

IF, NEMO produced 80 million bushels, IF river shipments are down 40%, and IF you assume that about 40% of the grain produced goes down the river, there’s an extra 13 million bushels lying around at this time versus last year.

	PRODUCTION			YIELD		
	2,017	2,018	2,019	2017	2018	2019
Audrain	17,839,000	14,176,000	15,922,000	179	131	169
Knox	9,326,000	6,134,000		166	125	
Lewis	10,474,000	7,318,000		159	117	
Marion	9,592,000		7,528,000	160		165
Monroe	8,487,000	7,707,000		144	125	
Pike	9,545,000	8,887,000		171	140	
Ralls	9,384,000	7,937,000	7,005,000	160	149	157
Scotland	6,385,000			148		
Other Counties	16,993,000	34,270,000	50,126,000	153	158	146
<b>NORTHEAST</b>	<b>98,025,000</b>	<b>86,429,000</b>	<b>80,581,000</b>	<b>161</b>	<b>140</b>	<b>153</b>
Adair			2,447,000			132
Carroll	15,545,000		7,977,000	179		144
Chariton	14,290,000			179		
Grundy		4,188,000			110	
Livingston	6,779,000		3,561,000	178		125
Mercer	2,871,000			150		
Randolph	3,758,000	3,277,000	3,853,000	165	127	129
Other Counties	27,097,000	47,216,000	27,857,000	160	126	138
<b>NORTHCENTRAL</b>	<b>70,340,000</b>	<b>54,681,000</b>	<b>47,777,000</b>	<b>169</b>	<b>124</b>	<b>138</b>
<b>STATE</b>	<b>552,500,000</b>	<b>466,200,000</b>	<b>463,450,000</b>	<b>170</b>	<b>140</b>	<b>155</b>
<b>MAC ESTIMATE</b>				<b>166</b>	<b>139</b>	<b>152</b>

## “WHERE FARMERS FUEL AMERICA”

In light of increasing price risk to the downside if the growing season is “normal”, consider using Accumulators that allow for locking in profitable prices in an unprofitable environment.

A video of how the work can be found at these addresses.

<https://www.youtube.com/watch?v=DUr3XE49uk8&t=9s> short version

<https://www.youtube.com/watch?v=qoSjoWgfhfU&t=1s> long version with market commentary

The chart below is a good visual. The seasonal chart is 2014-2019 with the average. Accumulators are pricing grain today at approximately \$4.10 and have a \$3.50 knockout, which is when you can no longer price at \$4.10. Current projections are a 20/21 carryout of 2637 billion that carries a \$3.25 price with it at harvest. That is based on 94 million acres and a trend yield of 178. Historically speaking, an accumulator would price you in the upper 1/3rd of the market in all referenced marketing years from now to expiration of the December contract.



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