# Market Plan Insures Against Low Prices

COLUMBIA, MO.

Missouri farmers should examine costs now to make informed decisions on how to break even with higher operating costs, said a University of Missouri Extension specialist.

"Producers need to plan ahead, make a market plan and follow it so they don't get caught taking a lower price than they have invested in their crop," said Randa Doty, MU Extension agriculture business specialist in Nodaway County.

Producers who do not follow their market plan may fall into the trap of accepting whatever price they can get for their crop when they need cash for payments, she said.

"There's usually a flood of grain on the market when payments are due," Doty said. "It's often referred to as the 'John Deere lows' in January because a lot of people have payments due then. Many farmers will load up, call their elevator and sell at whatever price they can get that day."

With rising costs and a volatile market, advance planning becomes even more important, she said. "Producers need to make sure they have a cash reserve. We're in a time of higher costs. Inputs are drastically higher, and rent and land prices are increasing."

Cash rental costs for Missouri croplands increased an average of 14 percent since last year, according to the MU Extension publication "2008 Cash Rental Rates in Missouri."

"Some people with highly productive land are paying $200 per acre or more cash rent," Doty said. "The better land will cost more. One farm was recently auctioned off for $6,500 per acre. This is not typical, but it reflects the times we're in now."

Producers are facing input cost hikes that have outpaced the average U.S. yield increase of about 1 percent a year, she said. Nitrogen costs rose 75 percent over last year; phosphorus increased more than 100 percent; potassium rose 250 percent; and fuel costs increased 75 percent over a year ago, she said.

Based on the 2008 cash rental rate guide, dryland corn growers with a typical yield of about 135 bushels per acre and an average cash rent of $97 per acre would need to get $4.79 per bushel to break even, she said.

Soybean growers who yield about 42 bushels per acre and pay an average of $96 per acre cash rent would need $9.82 per bushel to break even.

Break-even costs for wheat farmers depend on whether they harvest straw, Doty said. Wheat farmers with a yield of 56 bushels per acre, paying an average of $86 per acre cash rent and not harvesting straw would need about $7.50 per bushel to break even.

"These numbers are just to give producers an idea of the price they may need to sell their commodities to break even with today's input costs," Doty said. "They won't be exactly right for any one farm."

Ways to cut costs include wise purchasing of inputs; marketing ahead to lock in prices; soil testing to determine necessary fertilizer treatments; informed pest control; reducing energy use; and purchasing seeds based on specific farm needs.

"You may not need the newest seed technology," Doty said. "If you usually dry your corn with propane, you can cut energy use by waiting a week to let it dry out naturally."

Risk management is essential, she said. "If you have a market plan and safe targets, it will be easier to get a better overall price than if you try to do it last-minute."

Resources to help farmers with planning and budgeting decisions are available online at http://fapri.missouri.edu/farmers_corner/. On the "Software Tools" page, users can download the Crop Budget Generator, a spreadsheet for developing custom crop budgets and evaluating leases.

Farmers can also call Doty at 660-582-8101 or contact their local MU Extension office. Δ