



Attempting Success with Low Prices

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Another year has gone and grain prices continue at or below break-even levels. While yields should remain pretty strong throughout our area again this year, it will still not be sufficient to recover the losses for the past couple years.

First, go talk to your lender. Having the open communication with the lender will be the best resource you can have, because just like you, lenders do not like surprises. It is a lot better to be up front with the lender and let them know if you believe you will be significantly below break-even levels again this year. Discussing this early will get everyone back to the drawing board to see what can be done to manage the short-fall. Additionally, a lender should be viewed as another tool in a farmer's toolbox on financial communication and advice. The advice can be provided and evaluated prior to machinery, equipment, or other purchases to discuss impacts on cash flow and the break-even analysis of your operation.

Second, have a plan. Planning starts at the producer level and should be done continually. Plans change with each weather storm and market report, but having a good plan framework will reduce some of the emotional elements that are tied to these conditions. Other than planning which crops will be planted next spring, you should also consider a marketing plan you are comfortable with and also an in-depth production plan for 2018, including working with a crop advisor on production costs that maximize profitability while controlling input costs. Use resources available at Iowa State Extension, farm magazines and experts to compare your cost of production to averages to help determine if you are out of line in some areas, either high or low.

Last, know your costs and control what you can. Everyone knows that some costs of production are out of control of the individual, but there are costs that you can control when it comes to putting the crop in the ground. Controlling these costs can really make the difference in these years as to whether or not you will be profitable again this next year. Pennies go a long way on grain production.

Remember – break-even costs are not the same for everyone. However, you can be a step ahead if you should gather as much information you can from all available resources. This should help you make educated grain sales based on this information. Being able to use all available resources around you will help in maintaining a profitable operation going forward.