

WATER STREET SMARTS

March 15, 2011

Marketing Discipline

KRVN's Ken Rahjes speaks with Darren Frye, Water Street Solutions President and CEO

Q: Markets have become more volatile recently and this creates more of a challenge for producers to stay up to speed, particularly during the busy planting season.

A: It sure does. If I could give any advice to a producer today during the planting season, it's really to start with a plan. You're going to be consumed by getting that crop in the ground. You have to know what you want to take for your crop. Having your long-term breakevens is going to be very important. Understanding those profit goals and understanding how to use the tools are what they need to focus on. By no means can they just check out for 30 or 40 days here while they are trying to get the crop in. There are too many marketing opportunities that could take place during that time frame.

Q: So it is dangerous to "take your eye off the ball" during field work season?

A: Yeah, it is. A lot of movement happens between March 1 and planting season because we usually buy our acres, and then if the crop is going in the ground good, you could have some pretty good marketing opportunities that wouldn't be available later on in the year. It's usually a seasonal break that would afford you the opportunity to buy back bushels, maybe before we get a summer rally. So, a guy has to pay attention to what's going on with the marketing while he's in the field.

Q: What are those things to do? Maybe being in constant contact with an advisor because you have to concentrate on getting those seeds in the ground?

A: Yeah that's exactly right. If you find yourself without an advisor, then it's left up to you to keep up with that while you are doing all the normal day-to-day work. If you have an advisor, however, he or she should be helping you with that and helping you execute your plan.

Q: And really with what we're seeing with prices right now, that has got to be just as big a key as selecting your inputs.

A: That's right. We have really good margins right now. Most people's breakevens are around \$4.30, and with a \$6.00 price for December corn, that is a lot of profit margin. Having a plan to know how you're going to protect that, maybe by selling a few bushels ahead above the base price, and tying all that together is going to be important. An advisor should be able to help do that.

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