

# WATER STREET SMARTS

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## The Risk of Not Doing Anything

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

**Q: A lot of farmers are conservative by nature. Rather than taking a risk in using marketing tools, they choose to stick to what they know—some very *basic* marketing tools. Darren, is there a risk to this kind of decision?**

A: There's always a risk involved with staying where you are, or inaction. I think it's because the rules of the game have changed. With prices being as high as they are and with things being more volatile than they have ever been, poor marketing decisions really have some high costs involved; they're amplified many, many times.

Farmers who choose not to learn or employ new tools put themselves at a disadvantage competitively. If you compare it to technology, it would be similar to someone using the best, latest, greatest tools around the Internet, versus the guy who hasn't yet adopted the Internet, who's still using a fax machine.

I think sometimes in the world of agriculture, we want it to stay the same. It really has changed. It's more sophisticated. Things are happening much faster, and we don't want to let that pass us by. We need to stay up on what is available so we can be more competitive.

**Q: Another decision a farmer might bypass through inaction is insurance. Why is this a problem?**

A: Some farmers in Nebraska – actually a lot of farmers in Nebraska and the Mid-South have a lot of their crops irrigated. Sometimes when we think, “Hey, I have irrigation. I can just turn on the pivot anytime we want or the PolyPipe, and flood this 160-acre field,” we don't feel like we have as much risk. However, there are still other risks out there—there's wind damage, there's hail, there's the risk of lower prices.

Sometimes we don't understand how to tie those things together with our insurance. So maybe there are some advantages to having higher coverage levels. We need to think about more than just drought; we need to think about those other perils that could be at work. Think about what you have to lose – that's the revenue, the high prices that we have this year – and consider all tools when making those decisions.

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**Q: What can a farmer do now if he's made some of those poor decisions or has simply passed by the opportunity by not doing *anything*?**

A: Sometimes when you make decisions not to have for example insurance – either a certain type of a certain coverage level. Maybe it's too late to do anything for this year because that has passed us by, but we can definitely learn from that and we can change looking forward into the future.

If we're talking about marketing, maybe we've marketed too low and we don't like the price now that we see what corn has gone to. Maybe there's a way that when the market backs off – especially if it backs off and then we miss the rain and start having dry spells in July and August during grain fill – maybe there's a way to re-own that.

It's not too late to take hail insurance. It's not too late to make sure you have the right wind policies. It's not too late to do some things, but a guy has to know what's available to him, has to be exposed to it, and has to understand it. Then he can make changes to his risk management program as a result of that careful analysis.

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