

2006 SMFD

Marketing, Management, *Government Programs*

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Marketing Management Government Programs

**Gary Bredensteiner,
Consultant,
Nebraska Farm Business Inc.**

**Roy Smith,
Farmer, Educator, Broadcaster,
Writer, & Student of Marketing**

06smfd-market001

Strategy Results

30,000 Bu - \$179,430 (\$5.98 / bu)

Compare to Sales at Harvest (October Average)

30,000 Bu - \$152,400 (\$5.08 Average /bu)

Strategy Benefit = \$27,030

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Take Home Message

- **Federal Farm Program Payments represent a significant share of Net Farm Income.**
- **Program Payment reductions can be replaced by improved management.**
- **Management gains most often come in small increments, not in home runs.**
- **Have a Marketing Plan based on long term seasonal trends and use it!**

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Trade Distortion?

- **Amber Box: highly trade distorting**
- **Blue Box: less trade distorting**
- **Green Box: non trade distorting**

SOURCE: Stephen Frelsht, AgVentage, LLC, Alexandria, VA

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U.S. Trade Position

- **Amber Box:** cut aggregated support by 60% for U.S. based on 1999 – 2001 period
 - LDP's
- **Blue Box:** Cap at 2.5% of value of agricultural production
 - Set Aside Programs
- **Green Box:** No cap
 - Direct Payments
- **Overall:** reducing trade distorting support by 53% for the U.S., 75% for Europe and 53% for Japan

SOURCE: Stephen Frerichs, AgVentage, LLC, Alexandria, VA

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May Soybean Futures, 1980-2006



SOURCE: Soyroy Inc., 42268 24th ST, Plattsmouth, NE 68648 402-298-8378

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Selling Strategies

Forward Contract in Increments April-June

Sell the Day Before Sept Crop Report

Sell on "Dead Cat Bounce"

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Federal Farm Program Payments Past, Present, & Future

Average Data – 90 NE Crop Farms

	<u>2005</u>	<u>6 years</u>
Farm Payments	\$76,413*	\$39,136
Gross Revenue	\$447,029	\$363,666
Farm Payments as % of:		
Gross Revenue	17.1%	10.7%
Net Farm Income	105%	69%

*LDP's only -\$26,823

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Calculated 6 year Average Net Farm Income and Earned Net Worth Change
without Farm Program Payments

NFBI 6 year average Net Farm Income for 90 cash grain operations	\$56,793
Subtract Farm Program Payments	\$38,033
Equals Average NFI without Farm Payments	\$18,760
Add Non-Farm Income	\$23,089
Subtract Family Living	\$42,565
Subtract Income/Social Security Taxes	\$9,145
Equals Earned Net Worth Change	(\$9,861)

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2005 Profit Indicators
High 1/3 vs Low 1/3

Production:
 4.3 Bu Higher

Tenure:
 Crop Share Rent 10% higher
 Cash Rent average \$11/acre lower

Cost Efficient:
 Power Cost \$17/Ac lower
 Direct input costs lower

Marketing:
 Cash Sales \$.13/Bu Higher plus
 Hedge profit of about \$4.00/ac more

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Financial Rewards from Active Marketing Plan following seasonal trend strategy

2005 Soybean Production = 30,000 Bu

70% sold in increments May – June
 21,000 Bu @ \$6.24 Average

20% sold day before Sept Crop Report
 6,000 Bu @ \$5.33

10% sold on Dead Cat Bounce
 3,000 Bu @ \$5.47

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