2006 SMFD
Marketing, Management, Government Programs

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Marketing
Management
Government Programs
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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

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!

Trade Distortion?
• Amber Box: highly trade distorting
• Blue Box: less trade distorting
• Green Box: non trade distorting

SOURCE: Stephen Francke, AgVantage, LLC, Aiken, VA

2006 University of Nebraska-Lincoln
Extension SFMD
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 Fricklein, AgVantage, LLC, Minneapolis, MN

May Soybean Futures, 1980-2006

Selling Strategies

Forward Contract in Increments April-June

Sell the Day Before Sept Crop Report

Sell on “Dead Cat Bounce”

Federal Farm Program Payments Past, Present, & Future

Average Data - 90 NE Crop Farms

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>6 years</th>
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</thead>
<tbody>
<tr>
<td>Farm Payments</td>
<td>$76,413*</td>
<td>$39,136</td>
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<tr>
<td>Gross Revenue</td>
<td>$447,029</td>
<td>$363,666</td>
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<tr>
<td>Farm Payments as % of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>17.1%</td>
<td>10.7%</td>
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<tr>
<td>Net Farm Income</td>
<td>105%</td>
<td>69%</td>
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</tbody>
</table>

*LDP’s only -$26,823

2006 University of Nebraska-Lincoln Extension SFMD
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)

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: $0.13/Bu Higher plus
  - Hedge profit of about $4.00/ac more

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