

Was contracting corn in the spring a bad decision?



The Ford Report

By STEVE FORD

WE have all bought something we later regretted buying — a new pickup, a shop gadget, an expensive land parcel, that last beer. That regret is called buyer's remorse. This year many farmers are experiencing seller's remorse. They regret contracting corn several months ago for \$6 that could now be sold for \$8.

It's human nature to second-guess ourselves, and it can be productive sometimes — especially if it keeps us from continuously making the same wrong decisions. Discovering that a recommended high-yielding corn variety doesn't stand up to the stress of a drought will keep us from planting that seed again. Replacing a poor hiring decision or changing a herbicide program to better deal with herbicide-tolerant weeds are other examples. Even more expensive decisions can be corrected. Finding that cotton's profitability has declined relative to other crops may prompt a decision to sell a new cotton picker.

The point is that many decisions we

make can be corrected, but if they can't, then the costs of those decisions are sunk. At that point, it is time to manage forward and not be concerned with what cannot be changed.

Did farmers make bad decisions to contract corn for \$6 in the spring? Or soybeans for \$13? Or cotton for 90 cents? Absolutely not. Given the market outlook at the time, those farmers made good marketing decisions. After all, before the Midwest drought evolved, corn was headed to \$4.50. The grain markets very easily could have achieved harvest lows, and a \$6 average price would have looked pretty good in that case. That is exactly what happened with cotton. Anyone who contracted cotton at 90 cents is better off now than selling at the current market price of 73 cents.

But even these marketing decisions can be corrected to some degree. Most farmers who forward-contract commit only a percentage of their crop to be sure that contracts can be filled if yields are low. If yields are average or above, they then have remaining bushels to sell at higher prices. Those farmers may not have sold for \$8, but maybe they averaged \$7 — an average price most farmers would be happy to receive.

If farmers did suffer from dry conditions leading to low yields, they could have "re-owned" their contracts on paper in the



commodities markets. Buying futures contracts or call options as a bull weather market develops can add extra revenue to each bushel.

Almost all farm decisions are made facing uncertain outcomes, and a few truths are helpful when evaluating decisions made under uncertainty. First, selling at a profit is never a wrong decision. Farmers may differ on levels of profit, but that depends on their appetites for risk and their individual financial situations.

Second, investing in ways to improve farm productivity is never a wrong decision as long as the value of the expected increase in productivity outweighs its cost. Finally, beating yourself up in hindsight is a fruitless activity. Consider what you knew at the time you made a decision, and if you'd make the same decision again, you've done the right thing.

Ford is a north Alabama farmer who earned his doctorate in ag and applied economics from the University of Minnesota.

Food waste in America is a disgrace

Guest Editorial

By DAN CRUMMETT

I USUALLY don't put much stock in the activities of the Natural Resources Defense Council, since more times than not it is involved in something that would increase the red tape farmers have to deal with, or it is seeking a ban on something only for the headlines it will gain. But the latest press release from NRDC was a bit different, in that I actually agree with the premise: Americans waste too much food!

The only problem is the first recommendation NRDC listed to address the issue: "The U.S. government should conduct a comprehensive study of losses in our food system and set national goals for waste reduction." Always, the feds should step in, spend money studying and then set goals (ultimately spelled "more regulation").

Now, the problem does exist, and I have no reason to doubt NRDC's findings that 40% of the abundant and reasonably priced



U.S. food supply ends up wasted. Just look at the leftovers on school lunch trays or on plates at your favorite restaurant. Think of the things we save back in the freezer "to eat later" that never get touched. Consider the dented cans and "less than perfect"

produce supermarkets are forced to trash because consumers won't buy them. Think of the produce left to rot in gardens.

You can point at huge restaurant portions used to lure customers in a highly competitive marketplace. You can blame

picky eaters. You can lay some blame with a lack of education in food preservation, as home economics classes are eliminated or sidetracked by the latest "social fad curriculum" mandated by some government agency.

I'm a little more edgy on the subject. I think the U.S. has had it so good for so long, the population doesn't value the wonderful food supply that surrounds it. Unlike folks in Europe and Africa, the U.S. has never truly been "hungry."

On this point, I agree with the NRDC: "Wastage of nearly half our food is a tremendous waste of natural resources, energy and effort." But I don't think government regulations are the answer, any more than New York City's ban on soft drinks bigger than 16 ounces is the answer to the problem of obesity.

It's my opinion that education would go a long way toward solving the food waste problem. Or, higher prices will.

Crummett is a Farm Progress executive editor. Find his blog, along with other FP editors' blogs, at www.FarmProgress.com.