



# Farm News



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Farm Management Newsletter

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### **2006 Early Seed Discounts**

The one thing that has always been constant about these early discounts is that they usually start around September 1 and vary from company to company. These discounts almost always make the seed cheaper than any other time during the year, including your carrying charges. For this reason, keep in touch with your local seed dealer to get your seed at the least cost per unit including any carrying charges.

### **2005 Wheat with Vomitoxin:**

You may not want to take the LDP on wheat with vomitoxin because you will lose your eligibility to put the grain under loan. This could be an important consideration for wheat that has a vomitoxin problem. Farm stored wheat will not be tested for vomitoxin and can therefore be placed under loan. **IF** the wheat contains between 2.1 and 3 PPM it will be subject to a \$.50 discount when the loan matures. 3.1 to 4 PPM will have a \$.75 discount and 4.1 to 5 PPM will have a \$1.00 discount at the time of forfeiture. Wheat with vom over 5 PPM is not technically eligible for loan. If you repay the loan before maturity, these discounts will not be a factor. The point here is that you can use the loan for higher vom wheat to generate some cash flow and give you time to sell the wheat at a later date, hopefully with lower discounts. You have until the end of May 2006 to take a loan on 2005 crop wheat and then have another 9 months to maturity.

### **Risk Management:**

The phrase risk management is used to denote strategies that greatly reduce the risk of events that would force a farm into financial hardship. You should consider risk management as a broader concept that involves development of business strategies to reduce the chances of your financial position dropping below some unacceptable level. Notice that I did not define risk management as the elimination of risk. Risk and profits are closely intertwined. If no risk is involved in a profitable enterprise, production would quickly expand to the point where no profits exist. However, a balance is needed so that excessive risk does not jeopardize the survival of your business or restrict its long-term growth potential. The appropriate balance of self insurance, crop insurance, and marketing plans will vary considerably from one farm to another. Higher debt farms have a much greater challenge in managing risks, cash-flows, and in marketing grain than those with little or no debt.

### **Marketing Meeting Schedule**

September 13, 7:00 am at Pat's

September 14, 7:00 am at City Center Cafe Mooreton

