

## Marketing

# Large stocks fail to squelch gains



## Market Outlook

By ARLAN SUDERMAN

**W**ILL the grain markets go the way of pork bellies? It's not likely, but it is an intriguing question. Pork-belly futures are known for their wild price swings as speculative money flows in and out of the trading pits. Corn and soybean stocks are at 18- and 20-year highs respectively; yet speculative fund interest in the commodities is believed to be at an all-time high.

Last month's outlook described the increased volatility we can expect during the growing season as billions of dollars flow toward the commodity markets. The ability of the funds to control the markets remains limited due to strict guidelines on the number of contracts they can own at one time. Furthermore, the contract delivery requirement eventually reins prices into ranges dictated by supply and demand. However, fund influence on short-term price movement remains high.

There are no guarantees in the commodity markets. They will humble you just when you think you have them figured out. As a result, a disciplined

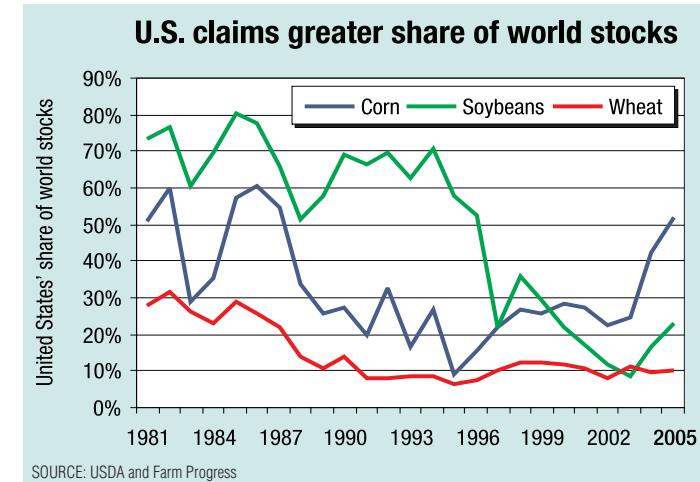
### Key Points

- Increased fund involvement should provide pricing opportunities.
- Acreage shift and weather create uncertainty and volatility this spring.
- Prices should collapse this summer if growing conditions are good.

marketing plan with sound objectives is essential to survive the emotions of these price swings. Even so, history suggests that we can expect considerable volatility in the weeks ahead as traders deal with the uncertainty of weather and acreage shifts. The scope of that battle will hinge on final production prospects in Argentina and Brazil, fuel and fertilizer prices as we head into the U.S. planting season, and developments in the La Niña-El Niño cycle in the South Pacific.

History also suggests the truck lines will again be long at local elevators by late July or August if this summer's crops look good overall. It looked like harvest at many Midwest elevators in August 2005 as farmers cleaned out remaining old-crop supplies. Both the basis and futures markets collapsed under the weight of these preharvest deliveries.

Take steps to avoid having to sell



during this period by pricing both old and new-crop bushels on spring and early-summer volatility.

### Focus on the new crop

We will not run out of corn or soybeans before we reach this fall's harvest. As a result, any volatility that does develop this spring and/or summer should be focused on the new-crop contracts.

Loan deficiency payments reached record levels last fall, making it easier to part with old-crop corn whenever the March contract trades in the \$2.15 to \$2.25 range. Spikes above that level should certainly be seen as gift marketing opportunities. Fundamentally, soybeans are well-valued between \$5 and \$5.50 per bushel, but you can't make

money at those levels. Moves above \$6 should be seen as selling opportunities, while marketing loan strategies should be used to enhance returns at prices below the loan level.

The odds for below-trend yields are higher this year, based on increased chances for adverse growing conditions and lower use of inputs. Like any business, you'll want to take advantage of profitable pricing opportunities that come along, but surplus stocks should begin to decline over the next couple of years. World stocks remain relatively low, with the United States holding an ever-growing share of the surplus.

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# Good communication key in family planning



## Family Business

By LANCE WOODBURY

In last month's column, I suggested that when transitioning your wealth or business to the next generation, you should include key people (children and their spouses) in the planning effort, open the lines of family communication through discussion and understand how family members see the future. However, good family discussion is often difficult. This column is dedicated to a few strategies for good family communication.

First, make it clear you care about how family members feel. If you are encouraging communication only to get "buy-in" and you already have all the answers, people won't feel true ownership of the solution. In other words, when asking people how they feel about the future, show them you really care about what they think. Summarize what they say, make eye contact and ask clarification questions. These are all good ways to show family members you are interested in their opinions.

Second, when you have a family meeting, set ground rules. Have an agenda with a starting and ending time. Ask the group to agree that everyone be heard, no one dominate the discussion and, if important, everyone keep family information confidential — especially

### Key Points

- Good communication is an important trait for successful family planning.
- Every meeting should include an agenda. Every family member should be heard.
- Vision, roles and goals must be discussed in a planning meeting.

financial information. This ensures common expectations about how the group interacts. (This seldom happens in families. As a result, people end up treating one another in ways they would never treat a nonfamily participant.)

Third, in terms of an agenda, en-

courage people to discuss at least three items. First, talk about their vision for the future. In other words, what do they want to see happen with the family business or wealth? What are their hopes and dreams? What values are important to the future of the family business? This discussion establishes commonality between the individuals at the table, and I often find that participants' visions are relatively similar.

Next, discuss how they see their role. As it relates to the family business, what do they want to do? Do they want to manage people? Sit on a tractor or horse? Do they want to be an owner or only an employee? Maybe they don't

want anything to do with the business! In short, try to find out how people see themselves interacting with the family and the family's assets, and try not to assume what people want to do.

Finally, ask family members to talk about their goals, both personally and for the business. Maybe a family member wants to go back to school for additional education, start a new enterprise within the business, learn a different part of the management function, or explore a new farming or grazing practice. Maybe he or she wants to leave the business, have more kids, or spend time doing mission work. A successful transition has to work for everyone involved, not just the departing generation. And the way to make a transition work is to make sure the future appeals to individuals' personal goals.

### Discussion leads to planning

In summary, listening, creating an agenda and discussing each individual's vision, role and goals won't guarantee a successful transition plan, but incorporating these elements into family communication will address many important issues most families never find the ability or time to cover. While you may not always be happy with the answers, talking about these items will help you know where family members stand on important issues and how to plan most effectively for the future.

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