

Marketing



Price prospects improve



Wheat Outlook

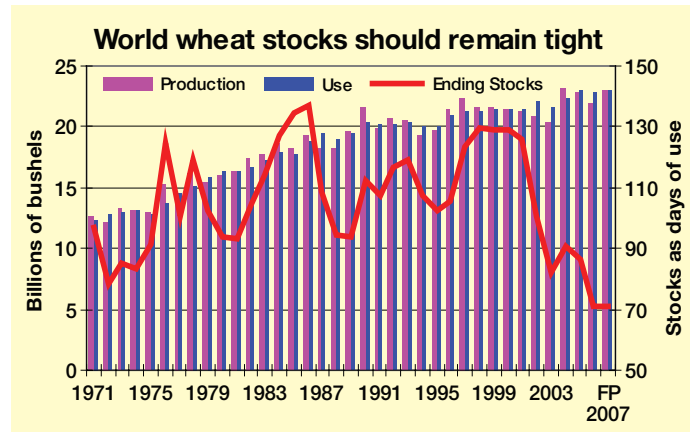
By ARLAN SUDERMAN

THE next 30 to 60 days will shape the wheat marketing landscape for the next year, with harvest gaining momentum. Prices trended lower through much of the winter on favorable growing conditions on higher acreage across the Northern Hemisphere, before changing global weather patterns and a late-spring freeze in the United States created doubts about whether the world could rebuild tight stocks this year.

Emerging drought in Europe and the North China Plain during the critical month of April suddenly raised concerns that world stocks may remain tight for another year, with rising global demand for feed grain requiring more acres. Quality milling wheat stocks are of greatest concern, with hard red spring wheat acres down in both the U.S. northern Plains and Canadian Prairies. The market was prepared to absorb those losses until the April freeze hit the winter wheat belt.

The Easter weekend freeze did significant damage to the crop from central Kansas to the lower Ohio River Valley. That event immediately reduced the amount of wheat that would have flowed into feed rations this year by as much as 150 million to 200 million bushels, unless the corn market can find a way to price wheat back into those rations during the wheat harvest period when purchases are made for the summer.

The substantial losses inflicted by the freeze have been partially offset by secondary tiller development in the weeks that followed, but the extent of the recovered losses won't be fully known until combines reach the cen-



Key Points

- Harvest results will set the tone for the next year.
- Price prospects look brighter as the battle for acres intensifies.
- Wheat prices will be influenced by this summer's corn market.

tral Plains and the southern Midwest. That could be as much as two weeks later than normal, as the development of those secondary tillers will take time and favorable weather. As such, traders will be very keen to harvest reports from the field through much of the month of June.

More opportunities lie ahead

Wheat farmers know that the crop has many lives. Furthermore, areas outside of the freeze-damaged region should still produce excellent yields this year. As such, higher-than-expected overall production could still reduce prices to below \$4 this summer, particularly if the Midwest experiences favorable weather

conditions for corn development.

Even so, the bigger picture of the ongoing biofuels revolution amid declining world stocks for grain and oilseeds suggests that volatility will continue to be a factor in the markets, with periods of price spikes. Continued profits in the ethanol and biodiesel industries would argue that the more intense battle for acres will occur in 2008. We should get an early taste of that battle this fall when planting decisions are made for the 2008 winter wheat crop — that is assuming the world economy remains healthy.

Any significant rallies that do unfold will be driven by Wall Street money and subject to the emotions of fund managers who have not previously experienced uncertainty in the commodity markets. Yet, many of those traders still have the record highs of the 1995-96 bull market in their sights. They simply need the right combination of market fundamentals to justify the move. A disappointing wheat harvest and adverse weather in the Corn Belt this summer could provide such a combination.



Family Business

By LANCE WOODBURY

Succession without a successor?

SUCCESSION planning often focuses on how best to transition the management and ownership of a business to the next generation. However, trends suggest that for many farmers and ranchers, the next generation will not return to the family business. So how do you plan for succession without a successor?

The starting point for succession planning is the consideration of your family and financial goals. Do you want to use the business for retirement income or would you rather convert the business to cash?

Future farmers

Looking at the family issues, consider the chance that a family member "on down the line" may be interested in running the business. If so, do you want to help them? Do you consider the land a "golden goose" that might provide future generations financial leverage to get started?

If retaining ownership of the current business assets is important, then determining and allocating future income and managing ongoing expenses are key. If you are planning on that ongoing income stream for your retirement, you need to have a personal financial plan. From a management standpoint, if you want to keep the door open to a family member returning, identifying how to manage the business in the "gap" between your retirement and their entrance is crucial.

Begin groundwork soon

If you plan to leave those assets to family members not involved in the farming operation, it is imperative to have a current estate plan that minimizes both estate tax liability and potential conflict among family members. Articulating your expectations and creating a structure to facilitate family harmony are indeed gifts you should give to those who inherit your business interests.

On the other hand, if you are comfortable converting the assets to cash, selling land and equipment requires coordinated planning a number of years before the actual sale. The same estate-planning issues exist, but you also need to consider the more immediate income tax implications of a large sale. A number of retirement planning tools and tax strategies can help minimize the cost of the exit if implemented before the sale.

The keys to keeping the business in the family or converting it into other financial resources are identifying and articulating your goals and effectively planning for the transition. Failure to do either will create problems for those who succeed you.

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