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# Best Practices of Grain Origination



**White Commercial™**  
**C O R P O R A T I O N**



# Sections

1	Compete on Service, Not Price .....	3
2	Educate Your Farmer Customers .....	5
3	Become a Trusted Advisor on Grain Contracts .....	7
4	Improve Your Knowledge of Local Production Factors ....	9
5	Develop a Profit-Based Marketing Plan .....	11



Paoli Farmers Co-op Elevator Co., Paoli, CO

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## Section One

# Compete on Service, Not Price

Anyone who has ever bought grain knows how tempting it is to raise their bid just a little bit. Someone else always seems to have a better bid than you. You tell yourself that if you raise your bid, just a little bit, then it'll help you attract some of those bushels from the outer reaches of your territory that you don't normally get. Finally, you justify this decision by telling yourself you can make up the difference through merchandising.

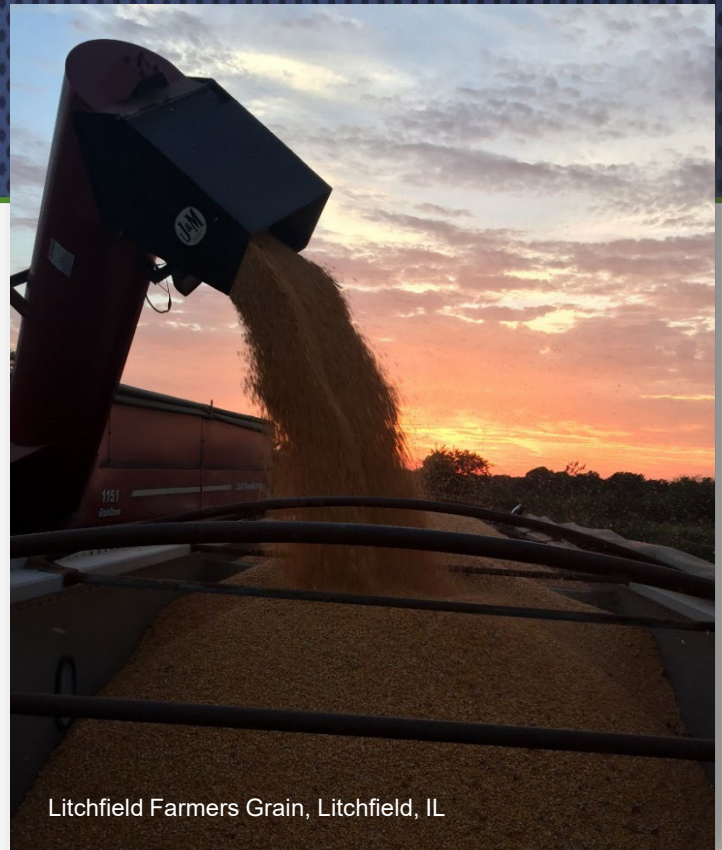


But the chances are good that this plan won't work out like you think it should. Here's why . . . The competition has the same struggle you have with farmers wanting a higher bid, and they end up giving in to the pressure just like you did.

This is especially the case, if they see that you've recently increased your bid. So, now it's back to square one, and you just lost your competitive edge. This means that not only will you fail to attract the additional bushels that you want, but you'll also pay more for all the bushels that you normally get.



If a higher bid won't help attract more bushels, what will? In a word: *Service*. You can compete on service in a number of ways: grateful service through respectful & professional attitudes, responsible pricing flexibility, straight forward farm marketing help, investing in the capital it takes to unload faster, being open when no one else is open, and flexible delivery options to name a few.



Litchfield Farmers Grain, Litchfield, IL

Service is often the one and only component of your business that effectively communicates the culture of your company. A customer should be able to ask themselves: *“How far are they willing to go to provide me excellent service?”* And you can demonstrate your company's culture if you can answer that question by meeting or exceeding your customer's expectations.

As a result, your company culture can in fact be a competitive advantage. Think about it, your competitors can always match your bid. But, they will always fail to match your culture, since your culture is made up of who you are, and how you go about meeting and exceeding expectations. After all, there's only one of you . . .

## Section Two

# Educate Your Farmer Customers

Farmers are your customers, and although they sell their grain to you, you are in fact in the business of selling your services to them. If you provide more and better services than your competitors, then you're likely to originate all the grain you want. So what is the best service that you can provide? Well, *education* of course.



Peddlers of market noise try to convince farmers that, somehow, knowledge of the big picture, i.e. national and international grain markets, will help them to identify selling opportunities in their local market. While this rarely turns out to be true, it does provide you with an opportunity to demonstrate your expertise on the local market, and walk with them down the path of profitably marketing their grain.

Think about it this way: Generally speaking, before a business owner makes a buying or selling decision, they make an effort to educate themselves on all available options. Your farmer customers are absolutely going to do this for themselves. The problem is that there's a lot of "market noise" out there which serves only to distract and confuse the selling decisions of the farmer.



This process should ultimately work towards eliminating any indecision that the customer possesses. The way to accomplish this is by tactfully and respectfully demonstrating the increased cost of owning grain after harvest, the opportunity cost of not selling before harvest, and the limitations on profitability by selling during harvest.



Reddy Ag Service, Inc., Stitzer, WI

The process of analyzing these factors should make it very clear to the farmer where both the risk and opportunity lie, in regards to marketing their grain. One action that you can take to successfully educate your customers on these topics is to first become a trusted advisor on Grain Contracts.

## Section Three

# Become a Trusted Advisor

Every year, there seems to be some new contract being offered by some of the bigger grain companies out there. They tend to have colorful, and perhaps exciting names. These contracts will undoubtedly make offers that seem too good to be true. Oftentimes, these contracts will over-promise and under-deliver, resulting in confusion and frustration among farmers. However, these new contracts provide an opportunity for you. Grain contracts can vary dramatically from one another, or be fairly similar. They are tailored for a very specific purpose, and sometimes that can go unrecognized by the farmer, or even the originator, if neither has the expertise to really understand the implications made in the contract.



This is where you can implement another *best practice* of grain origination. You should do your best to become a trusted advisor on all things grain-contract-related. In order to do this, you must be able to both comprehend and communicate the subtleties, implications, and expectations that each contract possesses, in addition to knowing the risks involved in all contracts, and understanding why you do or do not offer certain contracts.



Providing this type of educational service to your customers not only helps them navigate this mine field of profit and loss, but it will also serve to identify yourself and your company as a trusted advisor, and perhaps even a local thought leader on grain contracts.



This isn't an unreasonable goal to work towards. In fact, some might even say that it's essential for a grain originator to have this ability and understanding. That being said, in order to effectively direct your farmer customers to the contract that best fits their needs, you'll need to work closely with them to identify several key aspects of their farming operation. This leads us to the next *best practice* of grain origination...



## Section Four

# Local Production Factors

If you plan on successfully retaining your farmer customers' year-after-year, then there is no doubt that your origination efforts need to align with the goals of the farmer. Their goal is to turn a profit, and your goal is to originate grain. As the originator, you have a unique opportunity to create a win/win scenario in which the farmer contracts his grain with you at profitable levels, while allowing you to generate margins as well.



You can accomplish this by learning as much as possible about local or regional costs of production, crop yields, land rents, etc . . . This is because, as many farmers will tell you, they don't exactly know what price they must sell at in order to break even on their cost of production. As frustrating as that can be, if you are the one to identify that number for the farmer, you will be in a unique position to offer them the appropriate contracts and services that they require in order to obtain a profitable return on their crop.



There are a number of resources available to the grain originator who seeks to understand the farmer's production costs. You can speak with other farmers, agronomists, or research county and state averages. Arming yourself with this knowledge and insight will establish credibility between you and the farmers you serve. The more you show a sincere interest in the business of farming, the more comfortable they will feel allowing you to walk them through the selling process.

You may be thinking: *"I have so many farmer customers that going through this process and organizing this information sounds really challenging and confusing"*. That is a fair assessment, however, there are tools available to help you accomplish this.



Perhaps one of the better ways to acquire and organize this information is through an intentional and on-going Customer Relationship Management (CRM) program. A CRM program is an effort that is focused on documenting your interactions with your customers and utilizes a CRM software that recounts and timestamps all of your customer-communications.



## Section Five

# Profit-Based Marketing Plan

The 5<sup>th</sup> and final *best practice* for grain origination is to develop, implement and follow through with a Profit-Based Marketing Plan. Many of the principles of a profit-based marketing plan can be found in the first four *best practices*. For example, it begins with a commitment to yourself that you will not compete on price, and instead seek to win their business based on services you offer. In this way, establishing a fair market value bid for grain will enable you to begin educating the farmer.

Perhaps the best marketing education a farmer can receive is participation in the development of the Profit-Based Marketing Plan. This is because the plan addresses the essential questions of profit, loss and opportunity. It does this by first examining how much the farmer has invested in his crop. This is where becoming an expert in local production factors can greatly benefit you.





Secondly, with this information in hand, it becomes necessary to conduct a Profit-Per-Acre-Analysis. This analysis will allow the farmer to see just what profit margin he can obtain relative to different price points for grain. This is where the conversation changes from price per bushel, (the farmer's favorite metric) to *profit per acre*, a more meaningful and understandable metric.

Following this analysis, it becomes necessary to examine the seasonal marketing timeline. Here, the originator gets to suggest actions based on whether they are in the pre-harvest, harvest, or post-harvest timeframe. Preferably, this is done in the pre-harvest period, so that the farmer still has many choices for how to proceed.



Paoli Farmers Co-op Elevator Co., Paoli, CO

This leads to assessing various contracts and determining how many bushels to contract and how many different contracts to use. Needless to say, contract knowledge is the key to influencing the farmer to select contracts that don't put the elevator at odds with the customer.



Also, you should not hide from the fact that you will not be able to help them market at the top of the price curve. Instead, give them a plan that, over time, will give them the best opportunity for sustained profit, and if you are knowledgeable enough to point them in the right direction, then you're on track to gaining the trust and loyalty of the customer.



Lloyd Kelchen Grain, LTD, Edgewood, IA

It takes some dedication on your part to make these conversations happen, and to develop a Profit-Based Marketing Plan with your customers.

But if you can get farmers to undergo this process with you, then they will appreciate the fact that you're trying to make their business successful, and usually become your most loyal customers. This is the power of the Profit-Based Marketing Plan.





## Grain Merchant Certification Course **Farm Marketing Essentials**

**Farm Marketing Essentials** is an online course exclusive to White Commercial customers that explores in depth the foundation for understanding the dynamics of farm marketing. Through the completion of the course you will take away practical resources to share with your team and farmer customers.

Find out more on <https://www.gmcertification.com>

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