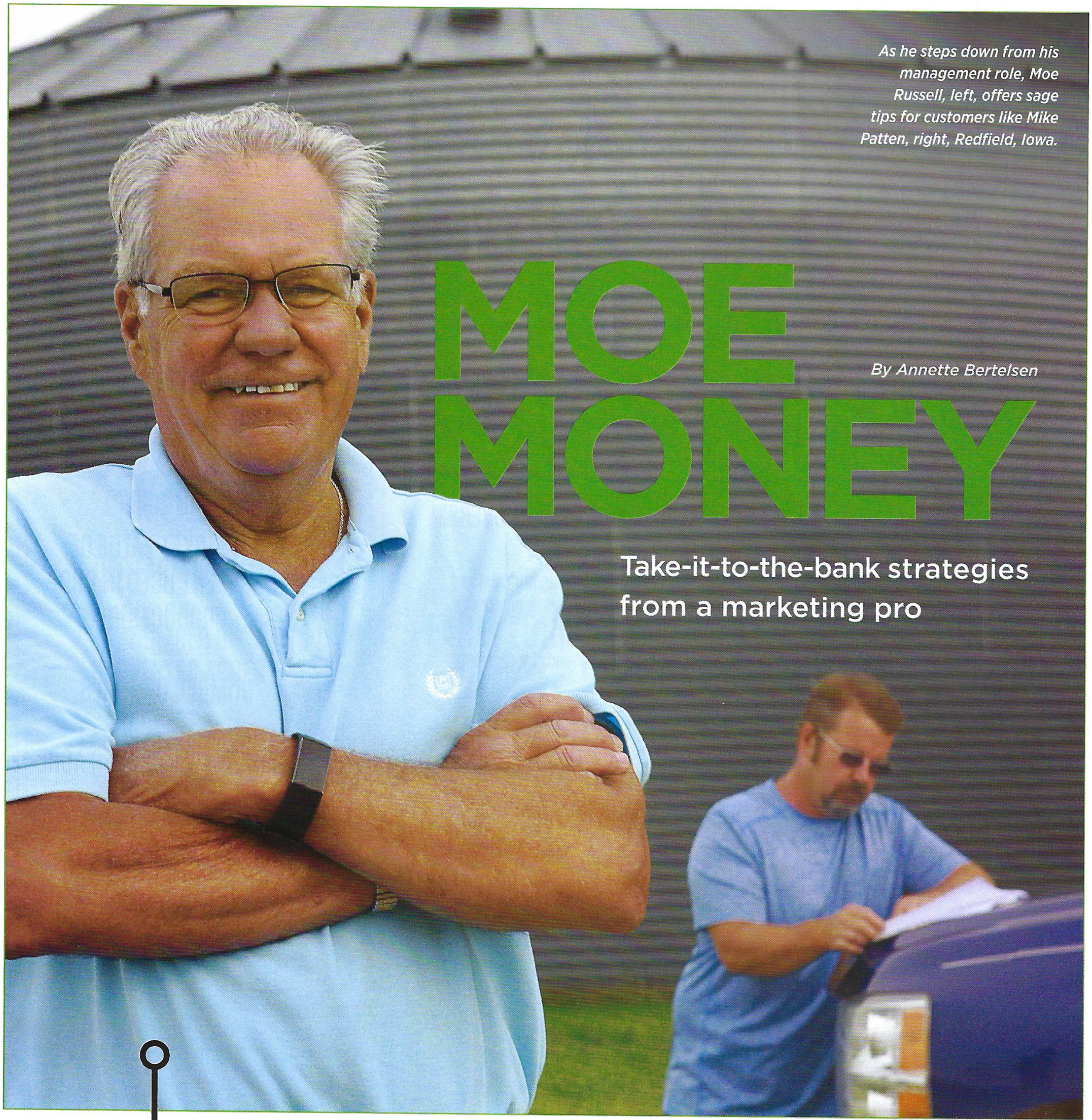
MOE MONEY

Take-it-to-the-bank strategies from a marketing pro

By Annette Bertelsen



As he steps down from his management role, Moe Russell, left, offers sage tips for customers like Mike Patten, right, Redfield, Iowa.

Maurice "Moe" Russell, co-founder of the marketing and financial methodology used by CHS Hedging and a frequent business speaker and columnist, has five money-making tips for farmers. "Following these strategies will add to your bottom line, make farming easier and reduce stress," Russell believes. "You can't manage what you can't see. Knowing where you are — and where you're headed — is critical." >

Corn Belt equipment costs range from $43 to $295 per acre.

Source: CHS Hedging data

1

Plan for gross dollars per acre (or per head)

Only about 25 percent of farmers know their true breakeven price, Russell says. "Calculate your breakeven, but don't focus on that number. Instead, focus on covering all your obligations, on an operator draw for living expenses and on a profit. If you don't write down that goal, how will you achieve it?

"Profit should be viewed as a cost — the cost of staying in business and capitalizing growth. In well over 90 percent of the plans we see, there is an opportunity to reach profit goals at some point during the year," he says.

SET A TARGET PRICE THAT COVERS:

- All projected operating expenses
- Term debt payments, including principal and interest payments on real estate, equipment, facilities and vehicles
- Depreciation (to allocate funds for replacing equipment)
- Operator draw for one year
- Profit

2

Manage machinery cost per acre

"Farmers often think of machinery costs as the total price paid or monthly payments. In reality, you need to account for depreciation, repairs, interest and opportunity costs," says Russell. "Machinery costs vary widely. To manage those costs, know the total figure."

25%
OF MARKET VALUE OF EQUIPMENT USED IN CROP PRODUCTION
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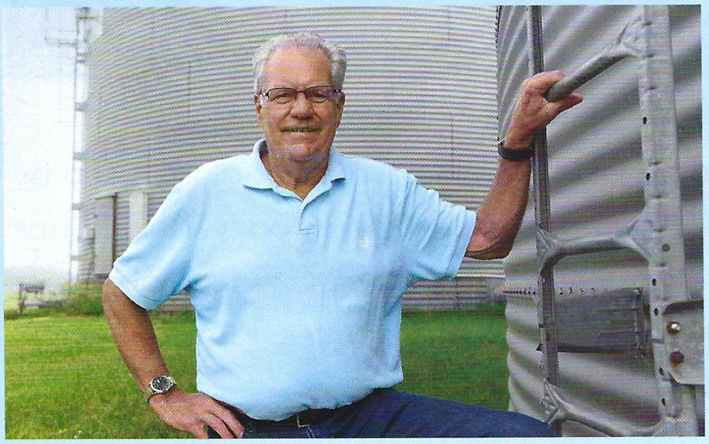
NUMBER OF ACRES
=
MACHINERY COST PER ACRE

The Russell Legacy

Growing up in eastern Iowa, Moe Russell watched his family struggle to decide when to market grain. A 26-year career with Farm Credit Services opened his eyes to farmers' need for commodity marketing guidance paired with trusted financial advice. In 1998, he co-founded Russell Consulting Group with Terry Jones, a Williamsburg, Iowa, farmer. The group became known for detailed analysis and a strong model of risk discovery, planning and management.



CHS Hedging began a formal relationship with Russell Consulting Group in 2007 and continues to follow that proven methodology when consulting with crop and livestock producers through its farm marketing and financial program, which has one of the most extensive benchmarking databases in North America.

Russell recently stepped down from his management role, but continues to work as an associate alongside 23 other advisors. "We act as CFOs for many of our clients," he says. "All farmers have dream lists. We can help them decide where it makes sense to spend their money. It's rewarding to help farmers grow their businesses for future generations."

3 Calculate labor cost per acre

"Labor costs vary widely from farm to farm. The operator draw portion of labor costs has increased significantly in recent years, mostly due to health care and college tuition costs," says Russell. "It's important to calculate your true labor cost each year."

(HIRED LABOR*

+

OPERATOR DRAW

-

OFF-FARM INCOME)

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NUMBER OF HARVESTED ACRES**

=

LABOR COST PER ACRE

**Do not include labor for livestock production.*
***If double-cropping, include both acreages.*

4 Use a benchmark

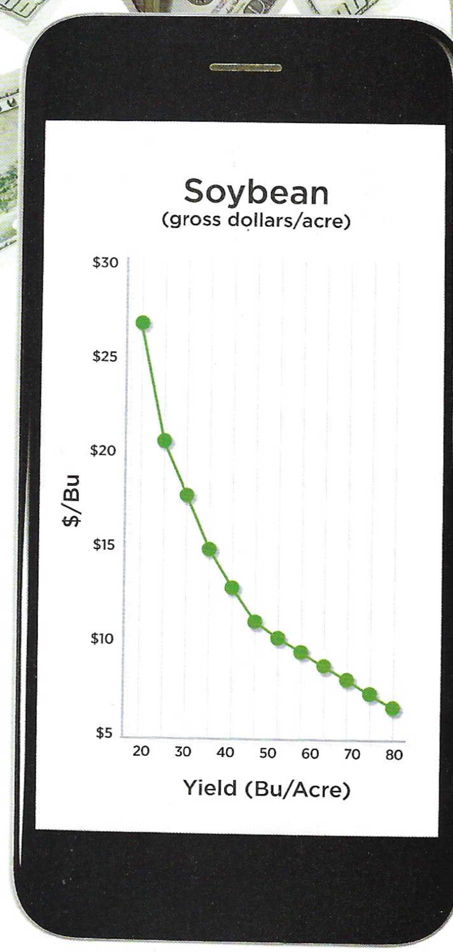
"Farm equipment and labor costs vary more than any other operating costs. We add those two figures together because you can manage costs two ways: using more equipment and less labor, or using more labor and less equipment.

"At the end of the day, it's the combination that hits your bottom line," he says. "After you see how your costs compare to the benchmark, you may want to consider strategies such as sharing equipment."

FARM EQUIPMENT

+

LABOR COST



Some CHS Hedging clients download charts to their smartphones with personal target selling prices at various yield levels.

5 Have a transition plan or exit strategy

"By the time you're 50 years old, you should be thinking about who will manage your operation in the future. If someone in your family will take over the operation, it's never too early to begin the transition. Start by documenting the values, such as character and integrity, that you want to ensure are part of your legacy," says Russell. "Without a transition plan, family disagreements could hurt productivity and profits."

If the farm won't transition within your family, work with an expert to create an exit strategy. "You've worked hard to accumulate wealth. Don't waste it by failing to plan."

DO MORE: Ease the stress of volatile markets by enrolling up to 20 percent of your soybeans, corn or wheat in CHS Pro Advantage, a managed pricing program. Contact your local grain merchandiser or email chsproadvantage@chsinc.com.