



# Sorting Through Market Information

By Curt Olson

Despite a year where some of the traditional market signposts have changed, everyone still seeks a transparent price discovery system. In 2001 cattlemen hoped mandatory price reporting would let them know exactly what was up in the market each day. Congress let the law expire in 2005 and has yet to reauthorize it, but a new regulation for mandatory price reporting is under review at the Office of Management and Budget.

Technology has exploded and with it access to information. With the proliferation of cell phones and blackberries that do everything but the dishes, ag producers who want to stay current on the markets have a new dilemma. Real time information. How much do you need, how much is too much and what do you do with it when you get it?

"You don't want to watch the market every minute but the cow/

calf producer has to watch the corn market," says Jim Robb, a livestock market analyst for the Livestock Marketing Information Center in Lakewood, Colo. "We can be whipsawed by the corn market."

Electronic trading in the futures markets means they never sleep. The futures markets trade all night long.

John Lawrence, an Extension livestock economist at Iowa State University, encourages producers to simplify the amount of information they review. If it's important to the way they sell their cattle, follow it. If not, ignore it.

"We worry about different things than we did a few years ago," says Robb. Grain, oil, input prices, and consumer demand make the profitability equation more fluid. Ethanol, competing meats and trade all can impact the market.

There is a difference between market reporting and market analysis. Some groups report prices

and historical information. Others breathe, distill, refine and sharpen that information into a marketing tool. Market analyst companies gather and distill the virtual libraries of new information available daily and give producers the insight behind the numbers, an analysis of why they're moving the way they are.

"The key thing about market information is there's a time continuum. People go out different time lengths," says Lawrence. "It's really important to figure out which of those time continuums you're interested in — the market when it opens vs. the week, month or year. If you're interested in the immediate, learn what the psychology is in the short term."

"Twenty years ago, you really looked diligently at the market before you sold in October," Robb says. "Now you have to look three or four times a year to see if anything has changed."

## Change Brings Risk and Opportunity

Making any significant change to an operation — whether production or marketing — relies on thorough research and planning.

"Every operation is different and we have to look at each operation within its own resources and opportunities," says Ivan Rush, University of Nebraska Extension. "Any time you change there's always some risk. You need to figure out how much risk you're willing to deal with."

"I don't know if there's a decision-making tree," says John Lawrence, Extension livestock economist at Iowa State University. "At some point the producer needs to do an assessment of his skills, facilities and feedstuffs. He has to be honest about that with himself."

Rush adds that considering change requires thorough analysis and spreadsheet work. "As we move forward, I think we have to be more astute business people than we ever have been," he says. "Look at all the

alternatives."

Evaluate where your business is today and compare that with what the market is asking for and where you want to go. Then write an action plan with a timeline. Things have to happen in a logical sequence, Lawrence emphasizes. Know your weaknesses and prioritize how to move forward, focusing on the top two or three things that you need to do to move to the next level.

"If you're going into a new marketing program, get the specifics of that program," Lawrence says. Does it require third-party verification, and are you comfortable with that? Do you already have the information they want or is that going to take a management change? When does that process have to start, and how far in advance do you have to plan?

Advance planning is central to any change. Do the homework and know the financial impacts of what you want to do. Making a change involves risk, but with it comes opportunity.