

Grain Market Strategies for 2020

A 'Test Drive' of 2020 Grain Sales Strategies

Assaria, Kansas – February 17, 2020

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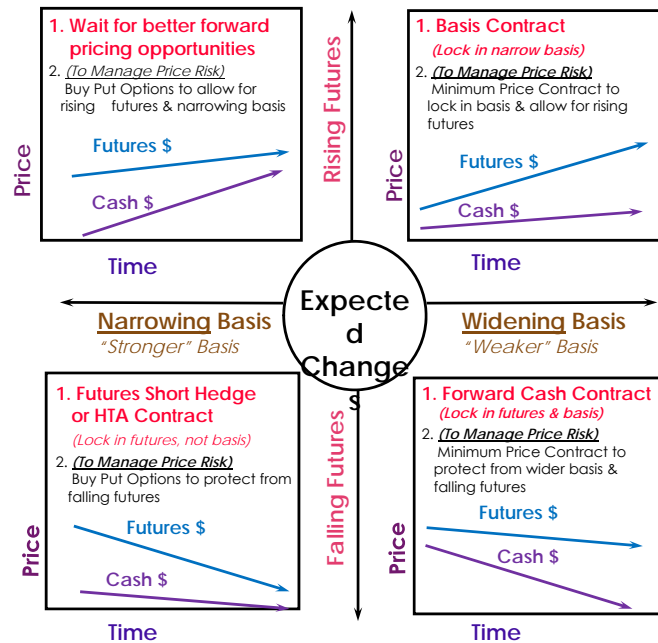
Department of Agricultural Economics



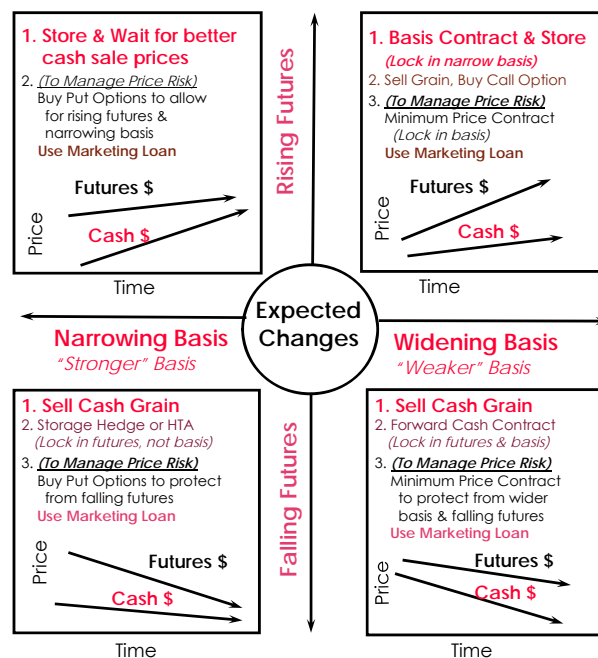
Most Common grain marketing tools in KS

- ▶ Cash sales – sell grain sometime after it has been harvested.
- ▶ Forward Contract (FC) – sell grain prior to harvest through a contract with the elevator. The contract specifies the price and how much to be delivered and a delivery date. (**HTA & Basis Contracts** are **FC** variations)
- ▶ Futures Hedge – sell a futures contract (5000 bu). At harvest, offset (buy) the futures contract and sell grain in the cash market to lock-in price.
- ▶ Put & Call Options – Buying a put option allows you to protect against “downside” price risk, w/o limiting the upside. Calls protect the “upside”

Which pre-harvest grain sales strategy to use?



Harvest/Postharvest Grain Sales Strategies



Corn & Sorghum Markets



CME Corn Futures

Weekly Chart: December 2015 – February 14, 2020

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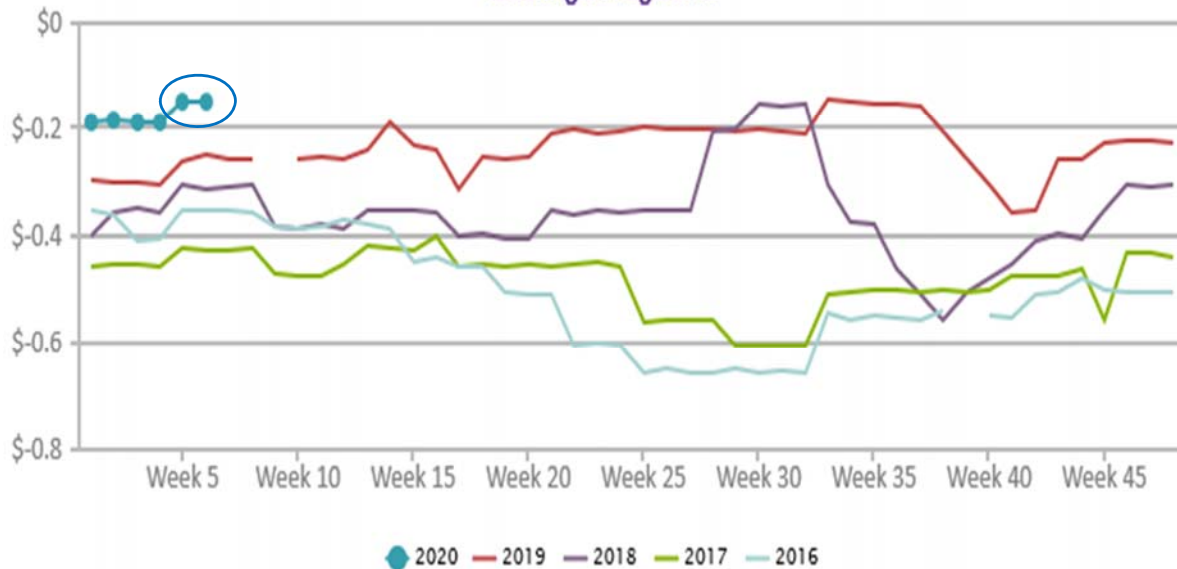


TFC Commodity Charts



SALINA, KS: Corn Basis - CARGILL

www.AgManager.info



Corn Cash Bids – Near Assaria, KS

Friday, February 14, 2020 (Source: DTN Grains)

Elevator/Location	Feb 2020	Mar 2020	Oct 2020
AGRI TRAILS COOP GYPSUM, KS	3.58	---	---
MID KANSAS COOP LINDSBORG, KS	3.50	---	3.41
ADM GRAIN SALINA, KS	3.63	---	3.59
SCOLAR GRAIN CO SALINA, KS	3.63	---	---
CARGILL SALINA, KS	3.63	3.65	---
AGRI TRAILS COOP CARLTON, KS	3.58	---	---
MID KANSAS COOP MARQUETTE, KS	3.45	---	3.41
MID KANSAS COOP CANTON, KS	3.58	---	3.59
COOPERATIVE GRAIN & SUPPLY CANTON, KS	3.57	---	3.48
AGRI TRAILS COOP DURHAM, KS	3.58	---	---

2020 KSU Cost of Production

Budget Estimates

Non-Irrigated Corn

North Central KS

@ 120 bu/ac Yield

- Direct Cost (w/o Cash Rent) = \$2.85 /bu
- All Cost (With Cash Rent) = \$3.36 /bu



US #2 Yellow Corn - dollars/bushel						
	Cash Bids	Chg	Basis		Avg:	
Iowa-Eastern:	3.7050 - 3.7750	↓	-9H	to -2H	-7.09	
Iowa-Western:	3.6950 - 3.8950	↓	-10H	to 10H	-0.39	
Illinois:	3.7250 - 4.0450	↓	-7H	to 25H	6.57	
Indiana:	3.8250 - 4.1250	↓	3H	to 33H	22.78	
Ohio:	4.0450 - 4.1450	↓	25H	to 35H	31.83	
Michigan:	3.8950 - 4.1450	↓	10H	to 35H	25.00	
Kansas:	3.8750 - 4.1050	↓	8H	to 31H	14.80	
Minnesota:	3.4150 - 3.7850	↓	-38H	to -1H	-12.29	
Nebraska:	3.6450 - 3.8050	↓	-15H	to 1H	-5.35	
Wisconsin:	3.5950 - 3.6950	↓	-20H	to -10H	-15.20	
South Dakota:	3.4450 - 3.8450	↓	-35H	to 5H	-14.38	
Missouri:	3.7150 - 3.7750	↓	-8H	to -2H	-5.00	
Sorghum - dollars/bushel						
	Cash Bids	Chg	Basis		Avg:	
Kansas:	3.5450 - 3.5950	↓	-25H	to -20H	-22.50	

DC_GR112

Dodge City, KS

Fri, Feb 14, 2020

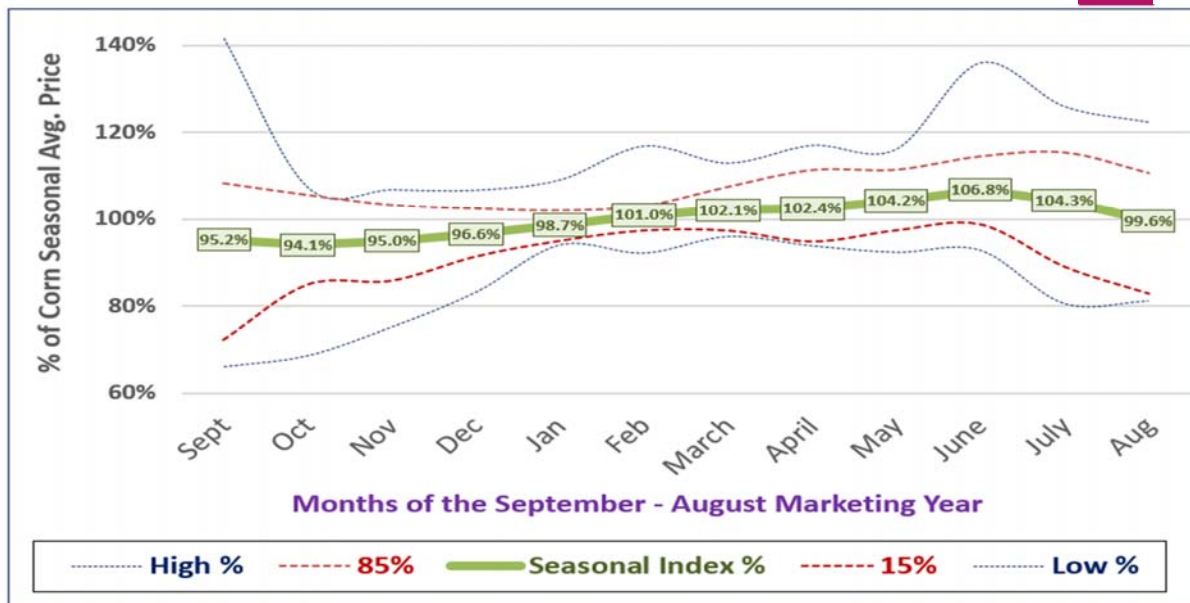
USDA-KS Dept of Ag Market News

Central Kansas Terminal and Processor Daily Grain Report

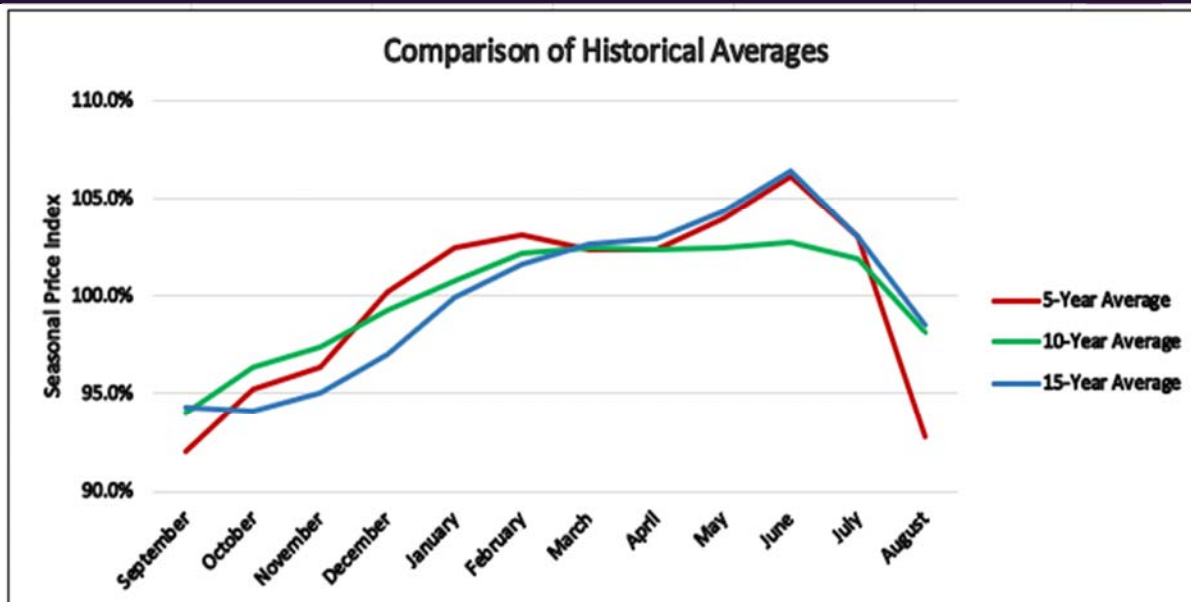
10

TERMINAL US NO 2 YELLOW CORN				
	Bids	Change (¢/bu)	Basis	Change
Atchison	3.93	DN 2	15H	UNCH
Topeka	3.88	DN 2	10H	UNCH
Salina	3.63-3.64	DN 2	-15H to -14H	UNCH
Newton	3.62	DN 2	-16H	UNCH
Hutchinson	3.62-3.73	DN 2	-16H to -5H	UNCH
Wellington	3.61	DN 2	-17H	UNCH
Arkansas City	3.57	DN 2	-21H	UNCH
PROCESSOR US NO 2 YELLOW CORN				
	Bids	Change (¢/bu)	Basis	Change
Atchison	3.92	DN 2	14H	UNCH

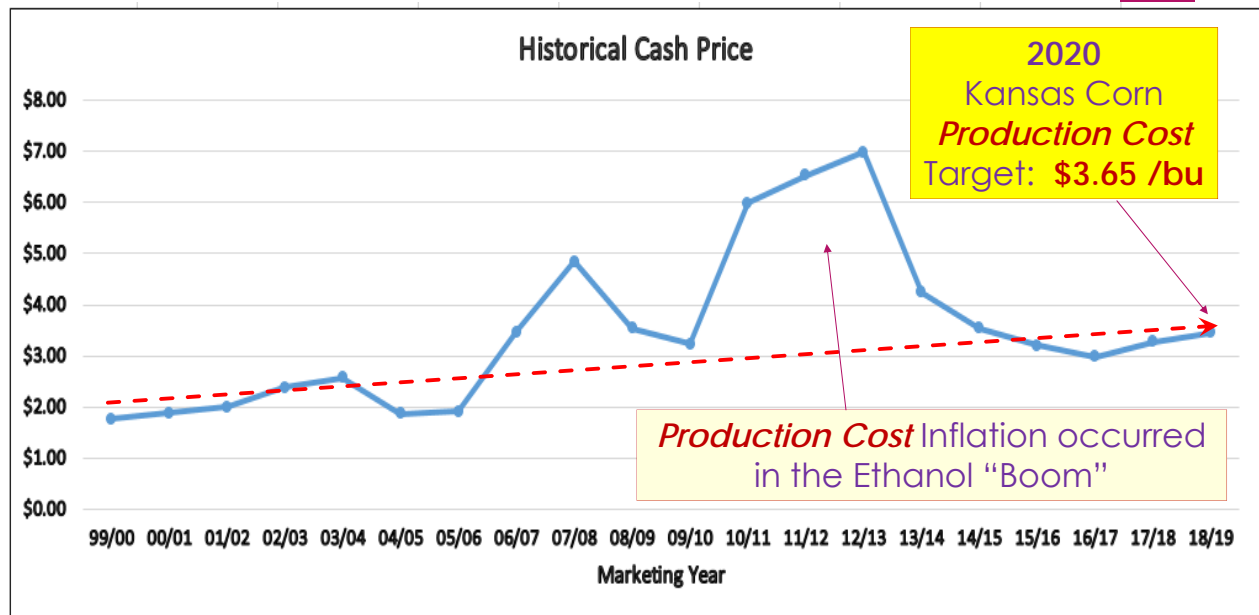
Seasonality of Kansas Corn Prices – last 15 years



Seasonality of Kansas Corn \$'s – last 5-10-15 years

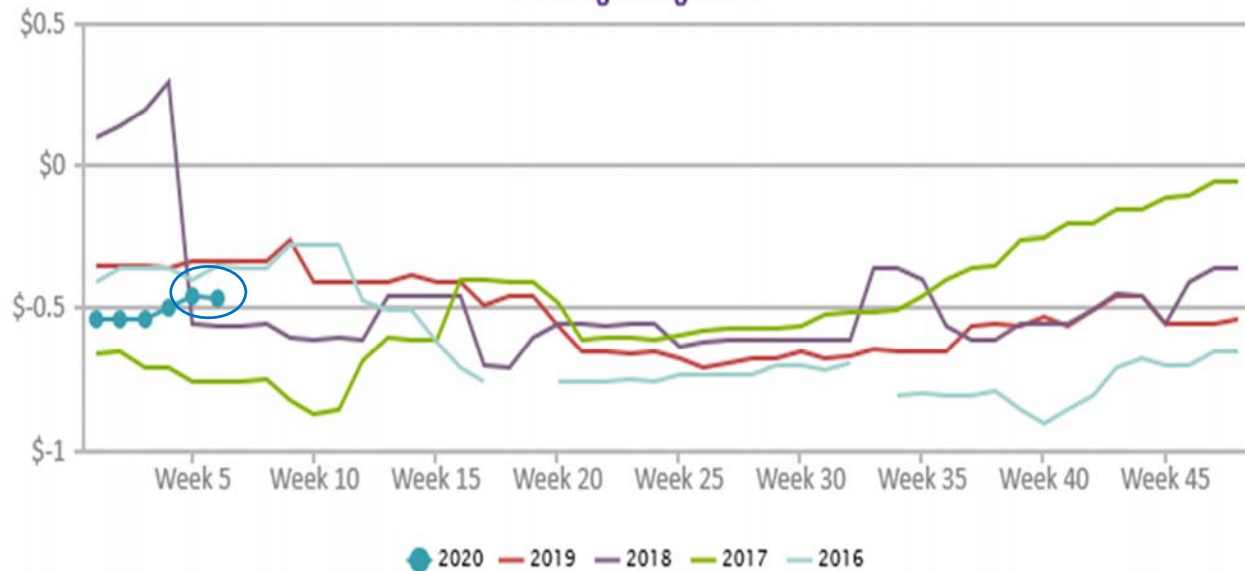


Kansas Corn \$'s – Since MY 1999/2000



SALINA, KS: Grain Sorghum Basis - CARGILL

www.AgManager.info



Milo Cash Bids – Near Assaria, KS

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Friday, February 14, 2020 (Source: DTN Grains)

Elevator/Location	Feb 2020	Mar 2020	Oct 2020	Nov 2020
AGRI TRAILS COOP GYPSUM, KS	3.08	---	---	---
MID KANSAS COOP LINDSBORG, KS	3.04	---	3.14	---
ADM GRAIN SALINA, KS	3.28	---	---	3.24
SCOLAR GRAIN CO SALINA, KS	3.28	---	---	---
CARGILL SALINA, KS	3.32	3.37	---	---
AGRI TRAILS COOP CARLTON, KS	3.08	---	---	---
MID KANSAS COOP MARQUETTE, KS	3.04	---	3.18	---
MID KANSAS COOP CANTON, KS	3.28	---	3.29	---
COOPERATIVE GRAIN & SUPPLY CANTON, KS	3.06	---	3.19	---

2020 KSU Cost of Production

Budget Estimates

Non-Irrigated Grain Sorghum

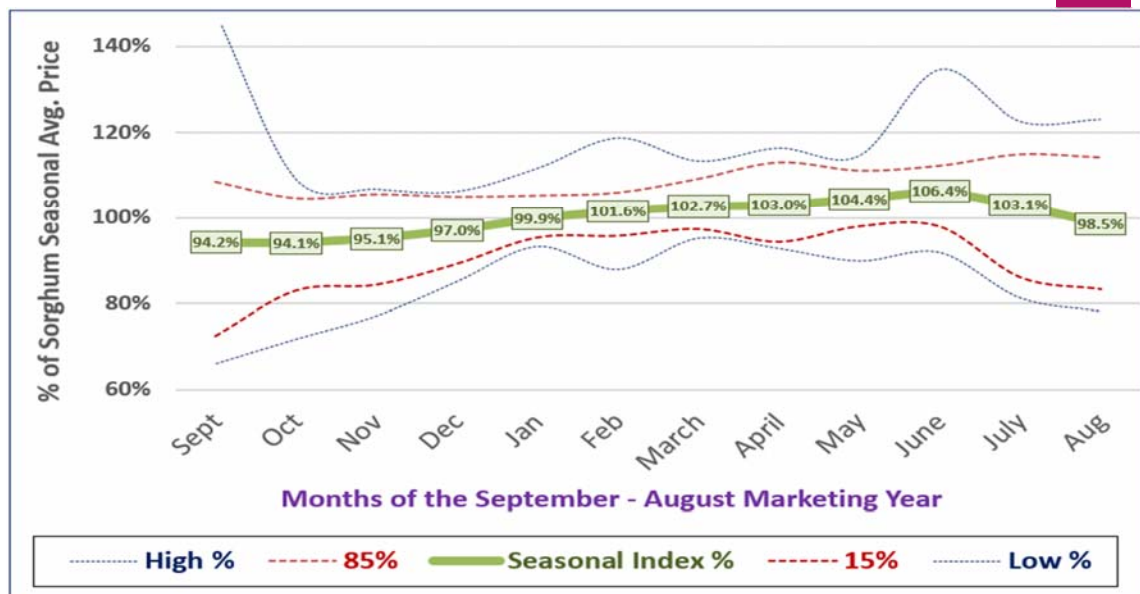
North Central KS

@ \$120 bu/ac Yield

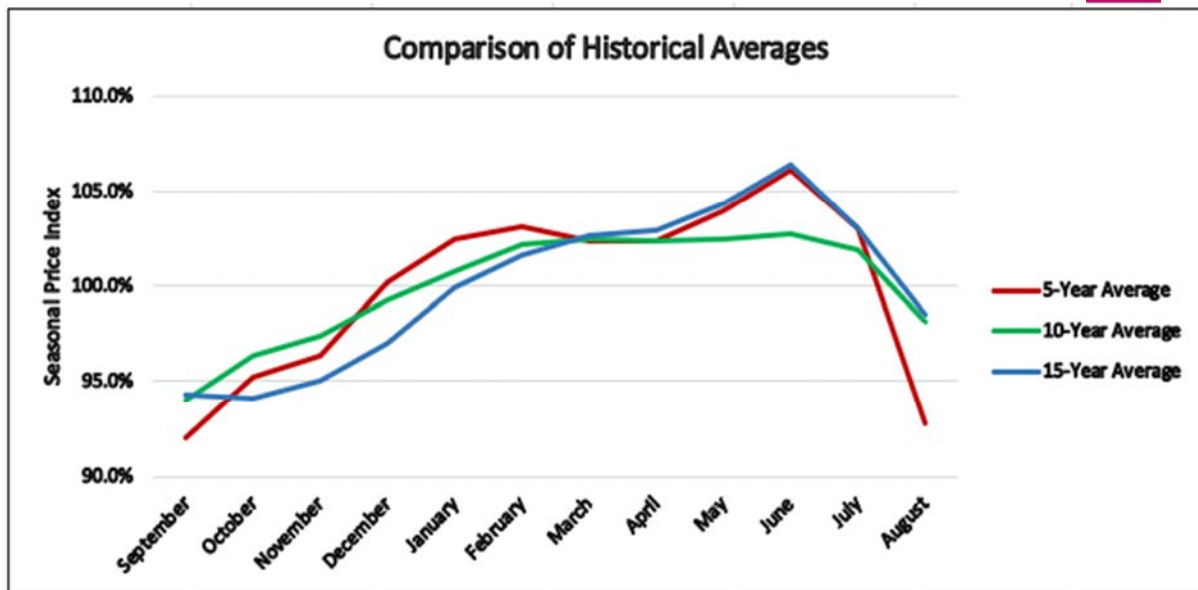
- Direct Cost (w/o Cash Rent) = \$2.24 /bu

- All Cost (With Cash Rent) = \$2.74 /bu

Seasonality of Kansas Sorghum \$'s – last 15 years



Seasonality of KS Sorghum \$'s – last 5-10-15 years



Kansas Sorghum \$'s – Since MY 1999/2000



Corn Options



JULY 2020 Corn Put & Call Options (2/14/2020)

ELEC. CORN (Jul 2020) [10 Minute Delay]

[Refresh](#)

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
385'4s	-3'2	-0.84	388'4	389'6	385'0	388'6	57593	CBOT	02/14/20 13:19

Symbol: @CN20 [Go](#) [Symbol Search](#) | [Symbol Lookup](#) Strike Range: [Near-the-Money](#) [Chart](#) | [Options](#) | [Futures Chain](#)

[Mar 2020](#) | [May 2020](#) | [Jul 2020](#) | [Sep 2020](#) | [Dec 2020](#) | [Mar 2021](#) | [May 2021](#) | [Jul 2021](#) | [Dec 2021](#) | [Dec 2022](#) [Jul 2020](#)

Jul 2020 Options

Days Until Expiration: 130

Calls									Puts								
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike	Symbol	Price	Chg	Open	High	Low	Volume	Open Int	
<input type="checkbox"/> @CN20C3400	46'6s	-3'0	---	---	---	0	269	3400	<input type="checkbox"/> @CN20P3400	1'3s	0'2	---	---	---	0	1303	
<input type="checkbox"/> @CN20C3500	37'7s	-2'7	---	---	---	0	262	3500	<input type="checkbox"/> @CN20P3500	2'4s	0'3	2'2	2'3	2'2	273	5637	
<input type="checkbox"/> @CN20C3600	29'7s	-2'6	---	---	---	0	115	3600	<input type="checkbox"/> @CN20P3600	4'4s	0'4	4'4	4'4	4'4	135	8530	
<input type="checkbox"/> @CN20C3700	23'2s	-2'3	24'0	24'0	24'0	30	237	3700	<input type="checkbox"/> @CN20P3700	7'7s	1'0	6'6	7'7	6'6	1062	9634	
<input type="checkbox"/> @CN20C3800	18'1s	-1'7	19'5	19'5	18'3	62	2340	3800	<input type="checkbox"/> @CN20P3800	12'5s	1'3	11'2	12'7	11'2	317	11196	
<input type="checkbox"/> @CN20C3900	14'1s	-1'3	15'2	16'0	14'0	323	6104	3900	<input type="checkbox"/> @CN20P3900	18'5s	1'7	17'0	18'6	16'5	153	4978	
<input type="checkbox"/> @CN20C4000	10'7s	-1'2	12'2	12'3	10'7	404	15280	4000	<input type="checkbox"/> @CN20P4000	25'3s	2'1	24'4	25'0	24'4	16	6668	
<input type="checkbox"/> @CN20C4100	8'3s	-1'0	9'3	9'5	8'4	121	9740	4100	<input type="checkbox"/> @CN20P4100	32'6s	2'2	32'0	32'0	32'0	100	5931	
<input type="checkbox"/> @CN20C4200	6'4s	-0'6	6'7	6'7	6'4	100	9408	4200	<input type="checkbox"/> @CN20P4200	40'7s	2'4	39'2	40'6	39'2	11	1219	
<input type="checkbox"/> @CN20C4300	5'1s	-0'4	5'4	5'5	5'0	114	5257	4300	<input type="checkbox"/> @CN20P4300	49'3s	2'5	---	---	---	2	754	
<input type="checkbox"/> @CN20C4400	4'0s	-0'3	4'2	4'2	3'7	260	3952	4400	<input type="checkbox"/> @CN20P4400	58'2s	2'7	---	---	---	0	483	

In the money At the money

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Probability of Corn Futures Trends

Examining 1990-2019 (Last 30 years)

► Likelihood of Level-Higher DEC Corn Futures??

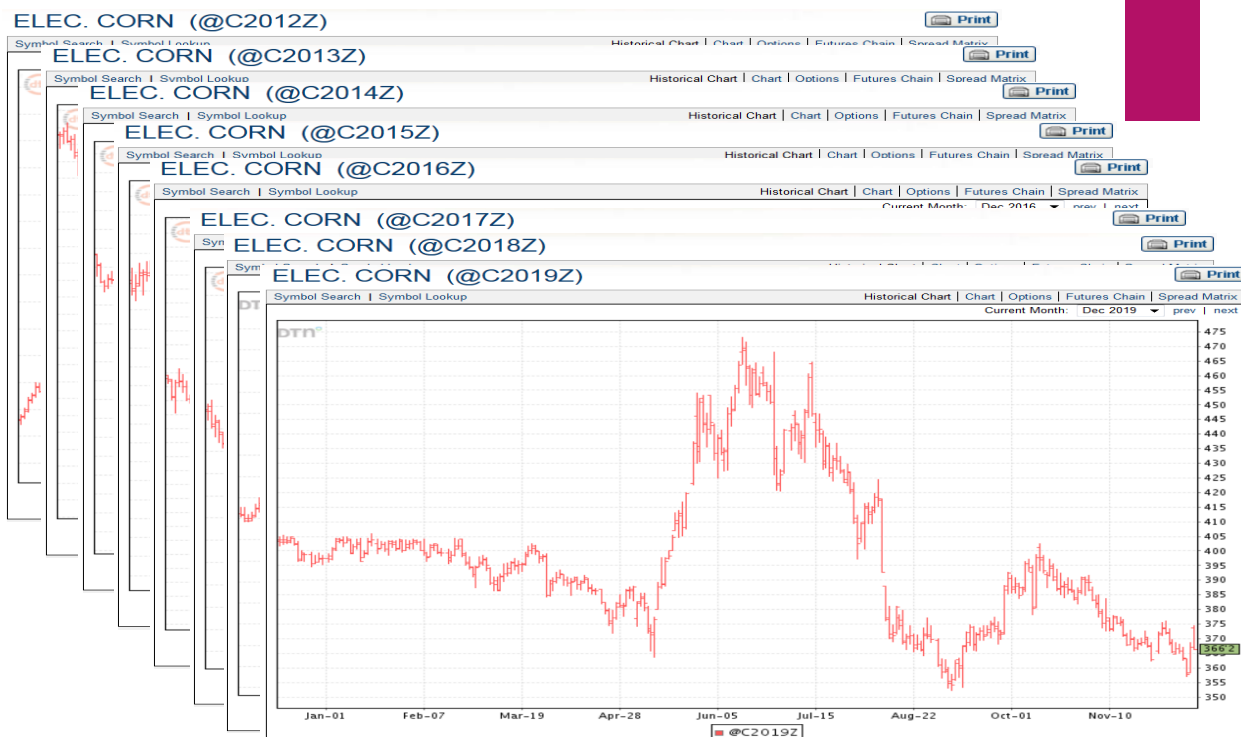
◦ Trends through Spring-Summer (June-July)?

⇒ Spring-Summer Price ↑ occurred 30/30 Years (100%)

◦ Which direction did prices move by Fall (Nov-Dec)??

⇒ Price moving sideways / higher = 9/30 Years (30%)

⇒ Price moving lower = 21/30 Years (70%)



DEC 2020 Corn Put & Call Options (2/14/2020)

ELEC. CORN (Dec 2020) [10 Minute Delay]

Refresh 2

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
388'6s	-3'2	-0.83	391'6	392'2	388'4	392'0	17351	CBOT	02/14/20 13:19

Symbol: @CZ20 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2020 | May 2020 | Jul 2020 | Sep 2020 | Dec 2020 | Mar 2021 | May 2021 | Jul 2021 | Dec 2021 | Dec 2022 Dec 2020

Dec 2020 Options

Days Until Expiration: 277

Calls										Puts									
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike		Symbol	Price	Chg	Open	High	Low	Volume	Open Int		
<input checked="" type="checkbox"/> @CZ20C3400	53'2s	-2'6	---	---	---	0	503	3400	<input checked="" type="checkbox"/> @CZ20P3400	4'7s	0'3	4'4	4'4	4'4	1	4944			
<input checked="" type="checkbox"/> @CZ20C3500	45'5s	-2'5	---	---	---	0	87	3500	<input checked="" type="checkbox"/> @CZ20P3500	7'1s	0'4	6'4	7'1	6'4	121	11419			
<input checked="" type="checkbox"/> @CZ20C3600	38'7s	-2'4	---	---	---	0	203	3600	<input checked="" type="checkbox"/> @CZ20P3600	10'3s	0'6	9'3	10'0	9'3	22	10862			
<input checked="" type="checkbox"/> @CZ20C3700	33'1s	-2'1	---	---	---	0	142	3700	<input checked="" type="checkbox"/> @CZ20P3700	14'4s	1'0	13'4	14'4	13'3	53	7924			
<input checked="" type="checkbox"/> @CZ20C3800	28'1s	-1'7	---	---	---	60	347	3800	<input checked="" type="checkbox"/> @CZ20P3800	19'4s	1'3	18'0	19'4	18'0	88	7711			
<input checked="" type="checkbox"/> @CZ20C3900	23'7s	-1'5	25'2	25'2	25'2	2	1509	3900	<input checked="" type="checkbox"/> @CZ20P3900	25'1s	1'5	23'5	24'5	23'5	26	4309			
<input checked="" type="checkbox"/> @CZ20C4000	20'2s	-1'4	21'4	21'4	20'2	99	9326	4000	<input checked="" type="checkbox"/> @CZ20P4000	31'3s	1'6	29'5	29'5	29'5	93	8955			
<input checked="" type="checkbox"/> @CZ20C4100	17'2s	-1'2	18'2	18'3	17'2	27	9002	4100	<input checked="" type="checkbox"/> @CZ20P4100	38'2s	1'7	37'0	37'0	37'0	4	5568			
<input checked="" type="checkbox"/> @CZ20C4200	14'5s	-1'1	15'4	15'5	14'5	108	8342	4200	<input checked="" type="checkbox"/> @CZ20P4200	45'5s	2'1	---	---	---	25	937			
<input checked="" type="checkbox"/> @CZ20C4300	12'3s	-1'0	13'2	13'4	12'4	17	7995	4300	<input checked="" type="checkbox"/> @CZ20P4300	53'3s	2'3	---	---	---	0	596			
<input checked="" type="checkbox"/> @CZ20C4400	10'4s	-0'7	11'1	11'1	10'3	26	7926	4400	<input checked="" type="checkbox"/> @CZ20P4400	61'3s	2'3	---	---	---	0	654			

In the money At the money

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"2019 Old Crop" Corn & Milo strategies in 2020?

► For "Old Crop" 2019 Feedgrains

- **On-Farm Storage** ⇒ Yes, but not until spring-summer 2020
- **Off-Farm Storage** ⇒ Maybe, but will need larger 2020 rallies
- **Hedge, HTA or Fwd Contract** ⇒ Basis bids to drive choice
- **Buy Puts** ⇒ No unless expect major price drop in spring
- **Sell Cash & Buy Call Options** ⇒ Basis gain (?) vs Storage cost

"New Crop 2020" Corn & Sorghum Strategies

► For "New Crop" 2020 Feedgrains

- **Futures Hedge or HTA** ⇒ Yes IF Basis is likely to strengthen
- **Forward Contract** ⇒ Yes IF have strong basis now
- **Buy Puts** ⇒ Yes if preplant/early rally
- **Fwd Contract + Buy Calls** ⇒ Best with a "2 step" approach

Wheat Markets



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CME Kansas HRW Wheat

Weekly Chart: December 2015 – February 14, 2020

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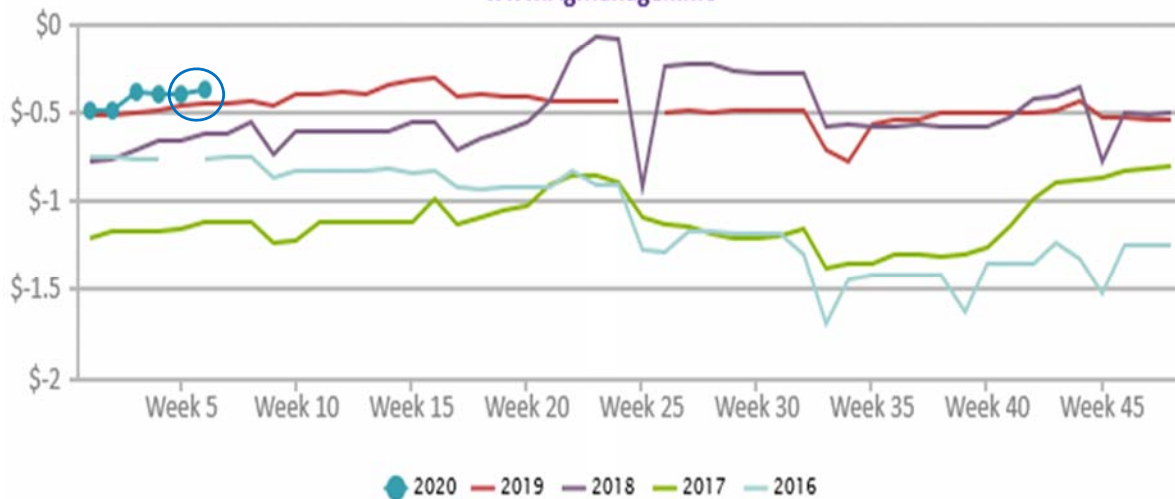
TFC Commodity Charts



ASSARIA, KS: Hard Red Winter Wheat Basis - FARMERS GRAIN COOP-BRIDGEPORT

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www.AgManager.info



HRW Wheat Cash Bids – Near Assaria, KS

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Friday, January 14, 2020 (Source: DTN Grains)

Elevator/Location	Feb 2020	Mar 2020	Jul 2020
MID KANSAS COOP- BRIDGEPORT ASSARIA, KS	4.29	---	4.30
AGRI TRAILS COOP GYPSUM, KS	4.45	---	---
MID KANSAS COOP LINDSBORG, KS	4.29	---	4.35
MID KANSAS COOP FALUN, KS	4.28	---	4.26
SCOLAR GRAIN CO SALINA, KS	4.61	---	---
CARGILL SALINA, KS	4.65	4.65	---
AGRI TRAILS COOP CARLTON, KS	4.45	---	---
MID KANSAS COOP MCPHERSON, KS	4.33	---	4.40
COOPERATIVE GRAIN & SUPPLY CANTON, KS	4.36	---	4.39

2020 KSU Cost of Production Budget Estimates

Non-Irrigated Wheat
North Central KS
@ 50 bu/ac Yield

- Direct Cost (w/o Cash Rent) = \$4.22 /bu
- All Cost (With Cash Rent) = \$5.44 /bu

DC_GR112

Dodge City, KS

Fri, Feb 14, 2020

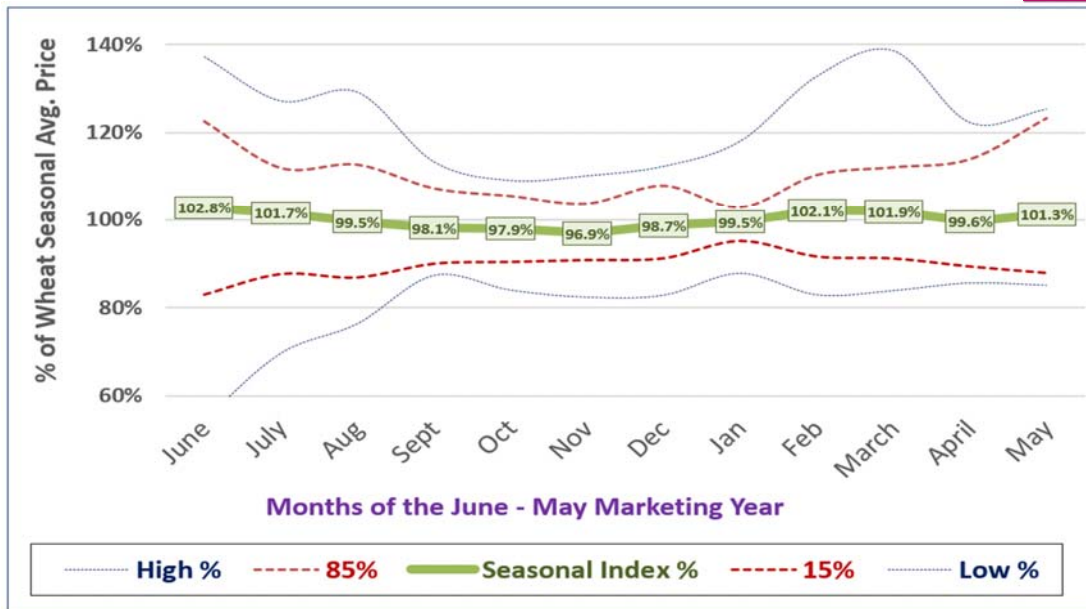
USDA-KS Dept of Ag Market News

Central Kansas Terminal and Processor Daily Grain Report

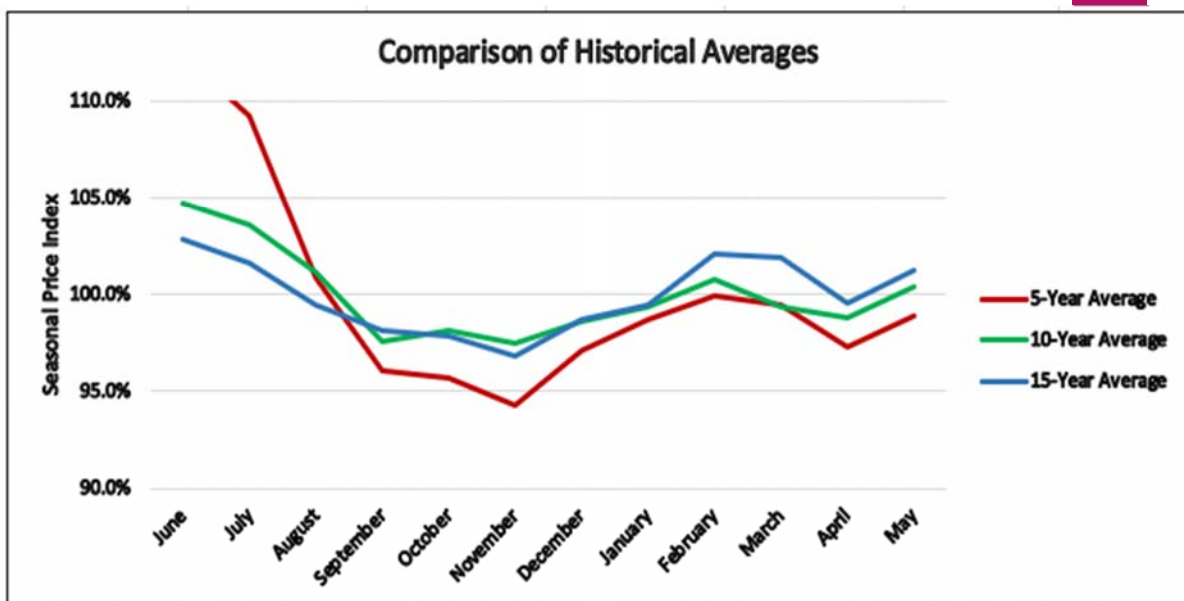
30

TERMINAL HRW WHEAT ORD US NO 1				
	Bids	Change (¢/bu)	Basis	Change
Topeka	4.61	UNCH	-5H	UNCH
Concordia	4.51	UNCH	-15H	UNCH
Salina	4.61-4.66	UNCH	-5H to OptH	UNCH
Great Bend	4.46	UNCH	-20H	UNCH
Newton	4.38	UNCH	-28H	UNCH
Hutchinson	4.66-4.94	UNCH	OptH to 28H	UNCH
Wichita	4.54-4.66	UNCH	-12H to OptH	UNCH
Wellington	4.45-4.51	UNCH	-21H to -15H	UNCH
Arkansas City	4.43	UNCH	-23H	UNCH
TERMINAL HWW WHEAT ORD US NO 2				
	Bids	Change (¢/bu)	Basis	Change
Wichita	4.66	UNCH	OptH	UNCH

Seasonality of KS Wheat Prices – last 15 years



Seasonality of Kansas Corn \$'s – last 5-10-15 years



Kansas Wheat \$'s – Since MY 1999/2000



Wheat Options



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MAY 2020 HRW Wheat Put & Call Options (2/14/2020)

ELEC. HRW WHEAT (May 2020) [10 Minute Delay]

Refresh 2

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
472'2s	-0'4	-0.11	474'0	478'2	471'6	472'6	22571	KCBT	02/14/20 13:19

Symbol: @KWK20 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2020 | May 2020 | Jul 2020 | Sep 2020 | Dec 2020 | Jul 2021 May 2020

May 2020 Options

Calls										Puts							
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike		Symbol	Price	Chg	Open	High	Low	Volume	Open Int
<input checked="" type="checkbox"/> @KWK20C4500	32'6s	-0'2	---	---	---	0	885	4500	<input checked="" type="checkbox"/> @KWK20P4500	10'4s	0'1	---	---	---	---	0	1208
<input checked="" type="checkbox"/> @KWK20C4550	29'5s	-0'2	---	---	---	0	0	4550	<input checked="" type="checkbox"/> @KWK20P4550	12'3s	0'1	---	---	---	---	0	53
<input checked="" type="checkbox"/> @KWK20C4600	26'6s	-0'2	---	---	---	0	519	4600	<input checked="" type="checkbox"/> @KWK20P4600	14'5s	0'2	---	---	---	---	0	5103
<input checked="" type="checkbox"/> @KWK20C4650	24'1s	-0'2	---	---	---	0	0	4650	<input checked="" type="checkbox"/> @KWK20P4650	16'7s	0'2	---	---	---	---	0	30
<input checked="" type="checkbox"/> @KWK20C4700	21'6s	-0'1	---	---	---	0	155	4700	<input checked="" type="checkbox"/> @KWK20P4700	19'4s	0'3	---	---	---	---	0	599
<input checked="" type="checkbox"/> @KWK20C4750	19'4s	-0'1	---	---	---	5	58	4750	<input checked="" type="checkbox"/> @KWK20P4750	22'2s	0'3	---	---	---	---	0	50
<input checked="" type="checkbox"/> @KWK20C4800	17'3s	-0'2	19'2	19'2	19'0	2	900	4800	<input checked="" type="checkbox"/> @KWK20P4800	25'1s	0'2	---	---	---	---	0	906
<input checked="" type="checkbox"/> @KWK20C4850	15'4s	-0'2	---	---	---	0	0	4850	<input checked="" type="checkbox"/> @KWK20P4850	28'2s	0'2	---	---	---	---	0	15
<input checked="" type="checkbox"/> @KWK20C4900	13'7s	-0'2	---	---	---	0	754	4900	<input checked="" type="checkbox"/> @KWK20P4900	31'4s	0'1	---	---	---	---	0	256
<input checked="" type="checkbox"/> @KWK20C4950	12'2s	-0'3	---	---	---	0	10	4950	<input checked="" type="checkbox"/> @KWK20P4950	35'0s	0'2	---	---	---	---	0	0
<input checked="" type="checkbox"/> @KWK20C5000	10'7s	-0'3	11'5	12'1	11'2	35	3125	5000	<input checked="" type="checkbox"/> @KWK20P5000	38'5s	0'2	---	---	---	---	0	203

In the money At the money

Quotes generated on: Mon, Feb 17, 2020 2:12 AM CST

Probability of HRW Wheat Futures Trends

Examining 1990-2019 (Last 29 years)

► Likelihood of Level-Higher JULY HRW Wheat futures??

○ Trends through Spring (March-May)??

⇒ Spring Price ⇒ ↑ occurred 28/29 Years (96%)

○ Which direction did prices move by Summer (July-August)??

⇒ Price moving sideways / higher = 11/29 Years (38%)

⇒ Price moving lower = 18/29 Years (62%)

ELEC. HRW WHEAT (@KW2012N)

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2013N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2014N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2015N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2016N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2017N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2018N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

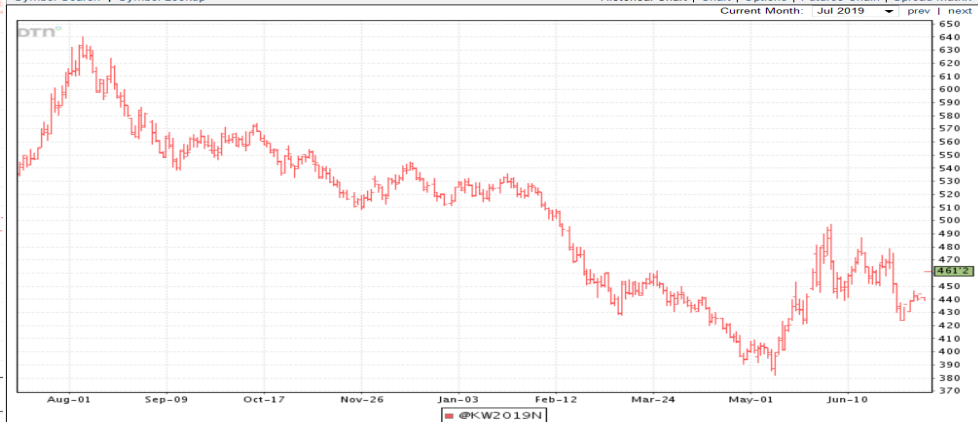
Symbol Search | Symbol Lookup

ELEC. HRW WHEAT (@KW2019N)

Historical Chart | Chart | Options | Futures Chain | Spread Matrix

Print

Symbol Search | Symbol Lookup



JULY 2020 HRW Wheat Put & Call Options (2/14/2020)

ELEC. HRW WHEAT (Jul 2020) [10 Minute Delay]

Refresh

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
478'6s	-0'2	-0.05	479'2	484'4	478'2	479'0	7480	KCBT	02/14/20 13:19

Symbol: @KWN20

Go

Symbol Search | Symbol Lookup

Strike Range:

Near-the-Money

Chart | Options | Futures Chain

Mar 2020 | May 2020 | Jul 2020 | Sep 2020 | Dec 2020 | Jul 2021

Jul 2020

Jul 2020 Options

Days Until Expiration: 130

Calls										Puts									
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike	Symbol	Price	Chg	Open	High	Low	Volume	Open Int			
<input checked="" type="checkbox"/> @KWN20C4400	50'2s	-0'1	---	---	---	0	33	4400	<input checked="" type="checkbox"/> @KWN20P4400	11'5s	0'1	---	---	---	1	318			
<input checked="" type="checkbox"/> @KWN20C4500	43'6s	-0'1	---	---	---	0	223	4500	<input checked="" type="checkbox"/> @KWN20P4500	15'1s	0'1	---	---	---	0	792			
<input checked="" type="checkbox"/> @KWN20C4600	38'0s	-0'1	---	---	---	0	383	4600	<input checked="" type="checkbox"/> @KWN20P4600	19'2s	0'1	17'4	17'4	17'4	1	459			
<input checked="" type="checkbox"/> @KWN20C4700	32'6s	-0'1	---	---	---	0	99	4700	<input checked="" type="checkbox"/> @KWN20P4700	24'1s	0'1	23'6	23'6	23'6	1	167			
<input checked="" type="checkbox"/> @KWN20C4800	28'2s	-0'1	---	---	---	0	334	4800	<input checked="" type="checkbox"/> @KWN20P4800	29'4s	0'1	27'3	27'4	27'3	3	223			
<input checked="" type="checkbox"/> @KWN20C4900	24'2s	-0'1	---	---	---	0	123	4900	<input checked="" type="checkbox"/> @KWN20P4900	35'3s	0'0	33'0	33'0	32'7	7	149			
<input checked="" type="checkbox"/> @KWN20C5000	20'6s	-0'1	---	---	---	0	797	5000	<input checked="" type="checkbox"/> @KWN20P5000	41'7s	0'0	---	---	---	0	390			
<input checked="" type="checkbox"/> @KWN20C5100	17'5s	-0'2	18'0	19'4	18'0	3	560	5100	<input checked="" type="checkbox"/> @KWN20P5100	48'6s	0'0	---	---	---	0	268			
<input checked="" type="checkbox"/> @KWN20C5200	15'0s	-0'3	---	---	---	40	378	5200	<input checked="" type="checkbox"/> @KWN20P5200	56'1s	0'0	---	---	---	0	24			
<input checked="" type="checkbox"/> @KWN20C5300	12'7s	-0'2	---	---	---	0	665	5300	<input checked="" type="checkbox"/> @KWN20P5300	63'7s	0'0	---	---	---	0	94			
<input checked="" type="checkbox"/> @KWN20C5400	10'7s	-0'3	---	---	---	1	89	5400	<input checked="" type="checkbox"/> @KWN20P5400	71'7s	-0'1	---	---	---	0	13			

In the money At the money

Quotes generated on: Mon, Feb 17, 2020 2:15 AM CST

"2019 Old Crop" Wheat Strategies in 2020?

► For "Old Crop" 2019 Wheat

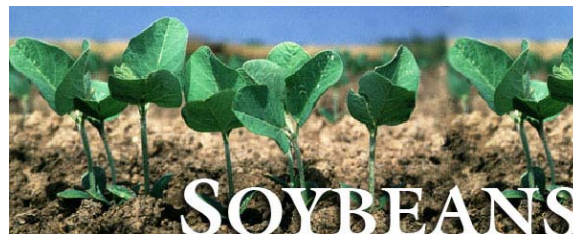
- **On-Farm Storage** ⇒ By now are waiting for Spring 2020 rally
- **Off-Farm Storage** ⇒ Ditto on-farm, but need larger 2020 rallies
- **HTA, Hedge or Fwd Contract** ⇒ FC to lock in strong basis
- **Buy Puts** ⇒ How much do you fear a preharvest fall?
- **Sell Cash & Buy Call Options** ⇒ Storage cost vs Call premium?

"New Crop" Wheat Strategies in 2020?

► For "New Crop" 2020 Wheat

- **Futures Hedge** ⇒ Usually do IF have weakening basis trend
- **Forward Contract** ⇒ FC IF strong NC basis & $FC\$ \geq \text{Est Cost} / \text{bu}$
- **Buy Puts** ⇒ Maybe @ Spring rallies before sure of Bushels
- **FC + Buy Calls** ⇒ Lock in "good" wheat basis & protect topside

Soybean Markets



KANSAS STATE
UNIVERSITY

Department of Agricultural Economics

CME Soybean Futures

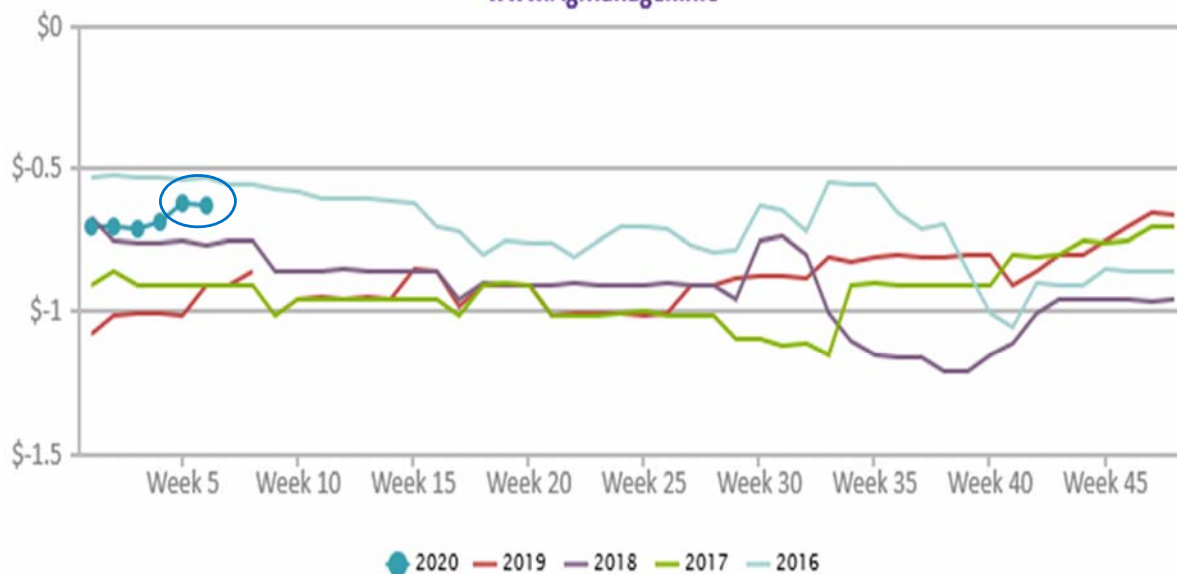
Weekly Chart: Fall 2015 through February 14, 2020

53



SALINA, KS: Soybeans Basis - CARGILL

www.AgManager.info



Soybean Cash Bids – Near Assaria, KS

Friday, February 14, 2020 (Source: DTN Grains)

Elevator/Location	Feb 2020	Mar 2020	Oct 2020
AGRI TRAILS COOP GYPSUM, KS	8.22	---	---
MID KANSAS COOP LINDSBORG, KS	8.11	---	8.21
ADM GRAIN SALINA, KS	8.34	---	8.28
SCOLAR GRAIN CO SALINA, KS	8.34	---	---
CARGILL SALINA, KS	8.38	8.33	---
AGRI TRAILS COOP CARLTON, KS	8.22	---	---
MID KANSAS COOP MARQUETTE, KS	8.08	---	8.17
MID KANSAS COOP CANTON, KS	8.24	---	8.32

2020 KSU Cost of Production Budget Estimates

Non-Irrigated Soybeans
North Central KS
@ 41 bu/ac Yield

- Direct Cost (w/o Cash Rent) = \$5.92 /bu
- All Cost (With Cash Rent) = \$7.40 /bu

DC_GR112

Dodge City, KS

Fri, Feb 14, 2020

USDA-KS Dept of Ag Market News

45

Central Kansas Terminal and Processor Daily Grain Report

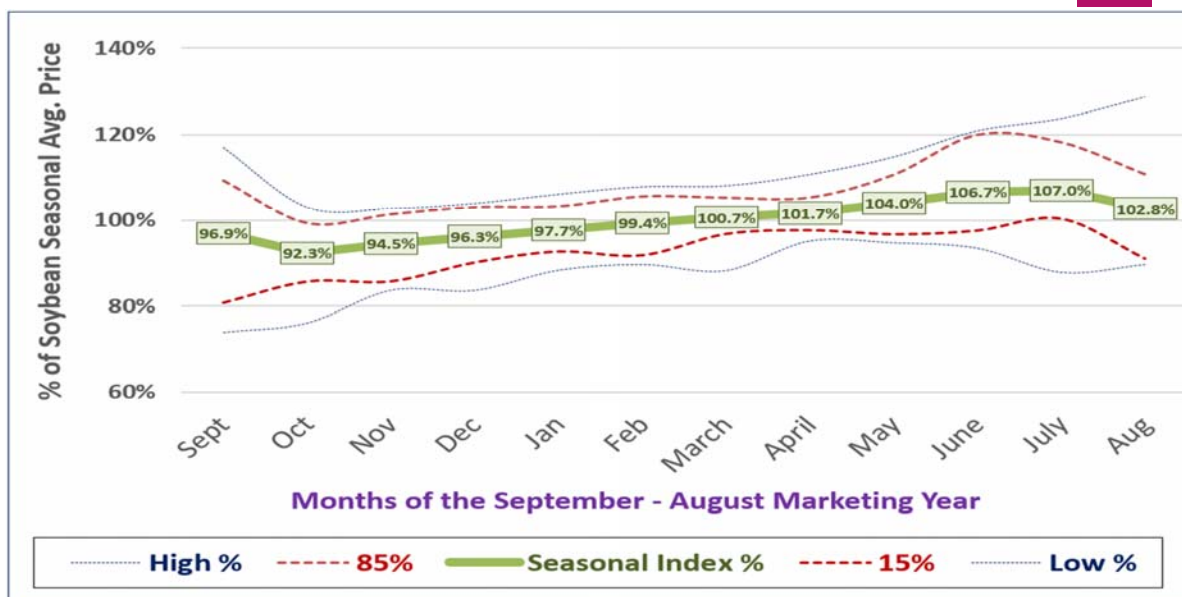
TERMINAL US NO 2 SOYBEANS

	Bids	Change (¢/bu)	Basis	Change
Atchison	8.76	DN 2	-18H	UNCH
Topeka	8.66	UP 2	-28H	UP 4
Salina	8.34-8.39	DN 2-UP 3	-60H to -55H	UNCH-UP 5
Newton	8.16	DN 2	-78H	UNCH
Hutchinson	8.14-8.39	DN 2	-80H to -55H	UNCH
Wichita	8.26	DN 2	-68H	UNCH
Wellington	8.24	DN 2	-70H	UNCH
Arkansas City	8.22	DN 2	-72H	UNCH

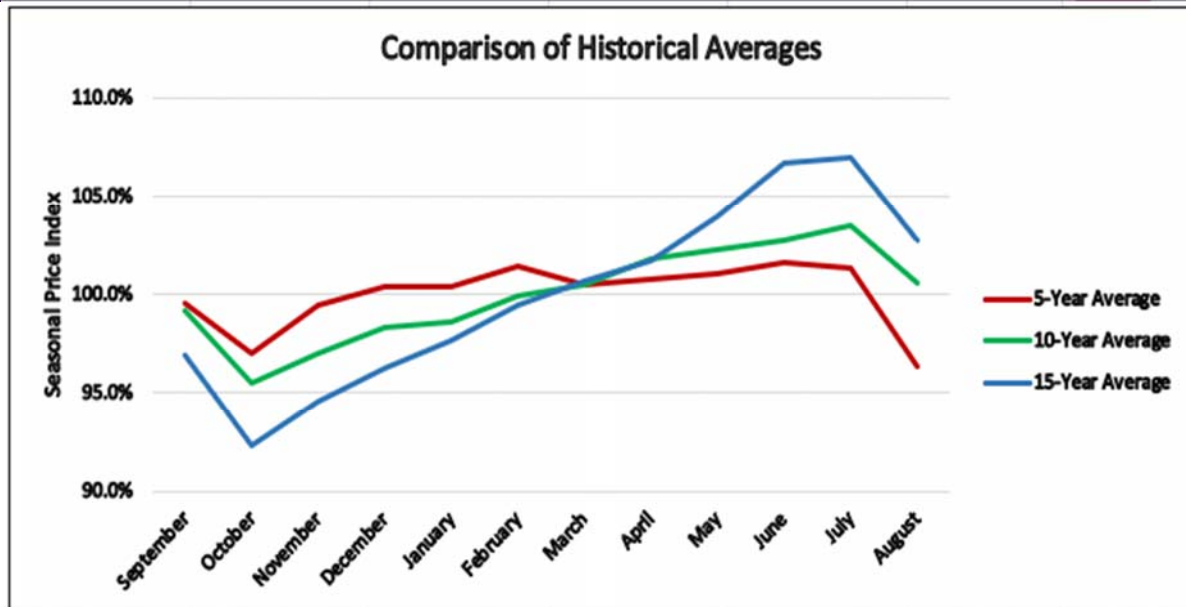
PROCESSOR US NO 2 SOYBEANS

	Bids	Change (¢/bu)	Basis	Change
Emporia	8.89	DN 2	-5H	UNCH
Wichita	8.87	DN 2	-7H	UNCH

Seasonality of KS Soybean Prices – last 15 years



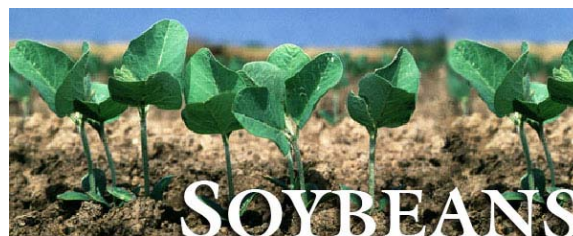
Seasonality of KS Soybean \$'s – last 5-10-15 years



Kansas Soybean \$'s – Since MY 1999/2000



Soybean Options



KANSAS STATE
UNIVERSITY

Department of Agricultural Economics

JULY 2020 Soybean Put & Call Options (2/14/2020)

ELEC. SOYBEANS (Jul 2020) [10 Minute Delay]

Refresh

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
915'4s	-2'4	-0.27	917'2	919'6	912'0	918'0	43335	CBOT	02/14/20 13:19

Symbol: @SN20 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2020 | May 2020 | Jul 2020 | Aug 2020 | Sep 2020 | Nov 2020 | Jan 2021 | Mar 2021 | May 2021 | Nov 2021 Jul 2020

Jul 2020 Options

Days Until Expiration: 130

Calls									Puts									
	Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike		Symbol	Price	Chg	Open	High	Low	Volume	Open Int
<input checked="" type="checkbox"/>	@SN20C8200	97'2s	-2'4	---	---	---	0	2	8200	<input checked="" type="checkbox"/>	@SN20P8200	2'1s	0'0	---	---	---	0	965
<input checked="" type="checkbox"/>	@SN20C8400	79'1s	-2'3	---	---	---	0	52	8400	<input checked="" type="checkbox"/>	@SN20P8400	3'7s	-0'2	3'5	4'1	3'5	132	2311
<input checked="" type="checkbox"/>	@SN20C8600	62'4s	-2'2	---	---	---	0	57	8600	<input checked="" type="checkbox"/>	@SN20P8600	7'1s	0'5	6'5	6'5	6'5	35	4091
<input checked="" type="checkbox"/>	@SN20C8800	48'0s	-2'1	---	---	---	20	214	8800	<input checked="" type="checkbox"/>	@SN20P8800	12'5s	0'2	11'5	13'1	11'5	727	6438
<input checked="" type="checkbox"/>	@SN20C9000	36'1s	-0'5	35'1	35'1	35'0	12	1306	9000	<input checked="" type="checkbox"/>	@SN20P9000	20'5s	0'2	19'4	21'0	19'2	47	8345
<input checked="" type="checkbox"/>	@SN20C9200	26'6s	0'2	28'6	28'6	25'0	165	2814	9200	<input checked="" type="checkbox"/>	@SN20P9200	31'2s	0'5	29'3	31'5	29'3	112	2281
<input checked="" type="checkbox"/>	@SN20C9400	19'6s	-1'0	21'0	21'3	18'5	558	4192	9400	<input checked="" type="checkbox"/>	@SN20P9400	44'1s	2'6	42'6	42'6	42'6	12	1146
<input checked="" type="checkbox"/>	@SN20C9600	14'4s	-0'6	15'5	15'6	13'7	83	5426	9600	<input checked="" type="checkbox"/>	@SN20P9600	58'6s	1'5	---	---	---	0	2699
<input checked="" type="checkbox"/>	@SN20C9800	10'5s	-0'3	11'6	11'6	10'2	127	1631	9800	<input checked="" type="checkbox"/>	@SN20P9800	74'7s	1'6	---	---	---	20	435
<input checked="" type="checkbox"/>	@SN20C10000	7'7s	-0'2	8'5	8'5	7'4	81	7545	10000	<input checked="" type="checkbox"/>	@SN20P10000	92'0s	1'7	---	---	---	10	171
<input checked="" type="checkbox"/>	@SN20C10200	5'7s	-1'0	6'4	6'4	6'3	7	5603	10200	<input checked="" type="checkbox"/>	@SN20P10200	110'0s	2'0	---	---	---	0	30

In the money At the money

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Probability of Soybean Futures Trends

Examining 1990-2019 (Last 29 years)

► Likelihood of Level-Higher NOV Soybean Futures??

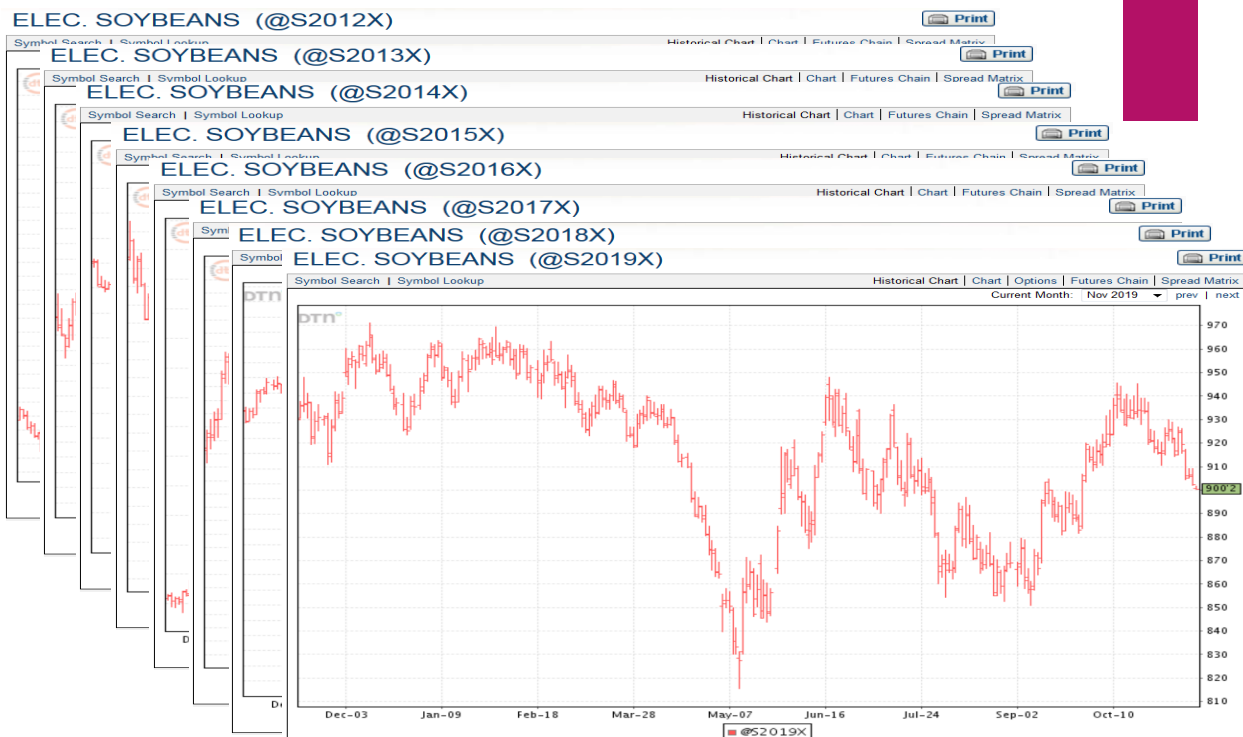
○ Trend through Spring-Summer (May-August)??

⇒ Spring-Summer Price ↑ occurred 23/29 Years (85%)

○ Which direction did prices move by Fall (Oct-Nov)??

⇒ Price moving sideways / higher = 13/29 Years (41%)

⇒ Price moving lower = 17/29 Years (59%)



NOV 2020 Soybean Put & Call Options (2/14/2020)

ELEC. SOYBEANS (Nov 2020) [10 Minute Delay]

Refresh ↻

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
922'4s	-1'2	-0.14	922'6	925'4	919'4	923'6	14607	CBOT	02/14/20 13:19

Symbol: @SX20 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2020 | May 2020 | Jul 2020 | Aug 2020 | Sep 2020 | Nov 2020 | Jan 2021 | Mar 2021 | May 2021 | Nov 2021 Nov 2020

Nov 2020 Options

Days Until Expiration: 249

Calls										Puts									
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike		Symbol	Price	Chg	Open	High	Low	Volume	Open Int		
<input type="checkbox"/> @SX20C8200	108'1s	-1'2	---	---	---	0	0	8200		<input type="checkbox"/> @SX20P8200	6'3s	0'0	6'3	6'3	6'3	136	1719		
<input type="checkbox"/> @SX20C8400	91'7s	-1'1	---	---	---	0	27	8400		<input type="checkbox"/> @SX20P8400	9'7s	0'0	9'3	10'0	9'3	39	2275		
<input type="checkbox"/> @SX20C8600	77'0s	-1'1	---	---	---	0	5	8600		<input type="checkbox"/> @SX20P8600	15'0s	0'1	14'6	14'6	14'3	59	2560		
<input type="checkbox"/> @SX20C8800	64'0s	-1'0	---	---	---	0	171	8800		<input type="checkbox"/> @SX20P8800	21'7s	0'2	21'0	22'2	21'0	64	2573		
<input type="checkbox"/> @SX20C9000	52'6s	-1'1	---	---	---	86	3949	9000		<input type="checkbox"/> @SX20P9000	30'4s	0'2	29'4	29'5	29'4	118	2725		
<input type="checkbox"/> @SX20C9200	43'3s	-1'0	44'4	44'4	43'0	318	5161	9200		<input type="checkbox"/> @SX20P9200	40'7s	0'2	40'0	41'4	40'0	165	2584		
<input type="checkbox"/> @SX20C9400	35'4s	-0'7	36'0	36'0	34'6	120	2975	9400		<input type="checkbox"/> @SX20P9400	52'7s	0'3	52'0	52'0	52'0	53	1753		
<input type="checkbox"/> @SX20C9600	29'1s	-0'6	---	---	---	217	4226	9600		<input type="checkbox"/> @SX20P9600	66'2s	0'3	64'6	66'4	64'6	6	1580		
<input type="checkbox"/> @SX20C9800	23'7s	-0'5	24'0	24'3	23'3	129	5818	9800		<input type="checkbox"/> @SX20P9800	80'7s	0'4	80'4	80'4	80'4	16	1024		
<input type="checkbox"/> @SX20C10000	19'5s	-0'4	20'3	20'4	18'7	813	11938	10000		<input type="checkbox"/> @SX20P10000	96'4s	0'5	95'4	95'4	95'4	15	126		
<input type="checkbox"/> @SX20C10200	16'1s	-0'4	16'4	16'4	16'4	13	5799	10200		<input type="checkbox"/> @SX20P10200	112'7s	0'6	---	---	---	0	3		

In the money At the money

Quotes generated on: Mon, Feb 17, 2020 2:47 AM CST

"2019 Crop" Soybean Marketing Strategies in 2020

► For "Old Crop" 2019 Soybeans

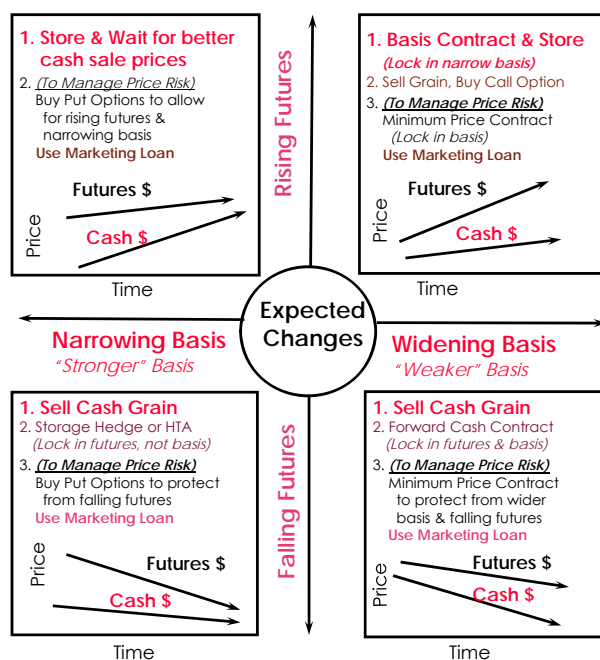
- **On-Farm Storage** ⇒ Yes, but @ risk to ↑ 2020 So. America crop
- **Off-Farm Storage** ⇒ Ditto On-Farm storage but at higher costs
- **Hedge / HTA – FC** ⇒ *IF* Large So. Am. Crop, **THEN** Storage hedge
- **Buy Puts** ⇒ *IF* Large So. Am. Crop weak \$s may warrant Put Options
- **Sell Cash & Buy Calls** ⇒ *"IF"* have strong basis, THEN *"sure"*

"New Crop" 2020 Soybean Marketing Strategies

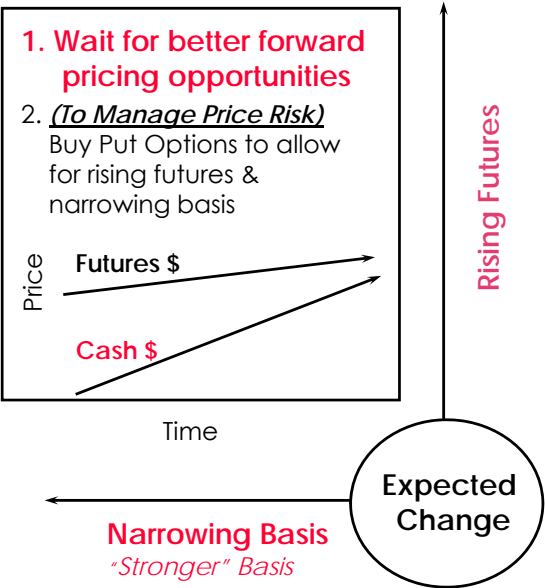
► For "New Crop" 2020 Soybeans

- **Futures Hedge / HTA** ⇒ Prefer not to have strong NC basis bids
- **Forward Contract** ⇒ Use if have strong NC fall '20 basis bids
- **Buy Puts** ⇒ Yes – IF preplant @ spring/summer rallies
- **FC + Buy Calls** ⇒ Yes IF have strong basis bid in FC

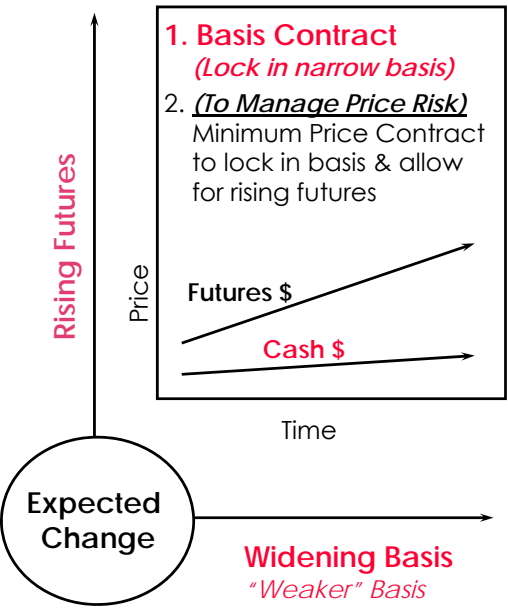
Harvest/Postharvest Grain Sales Strategies



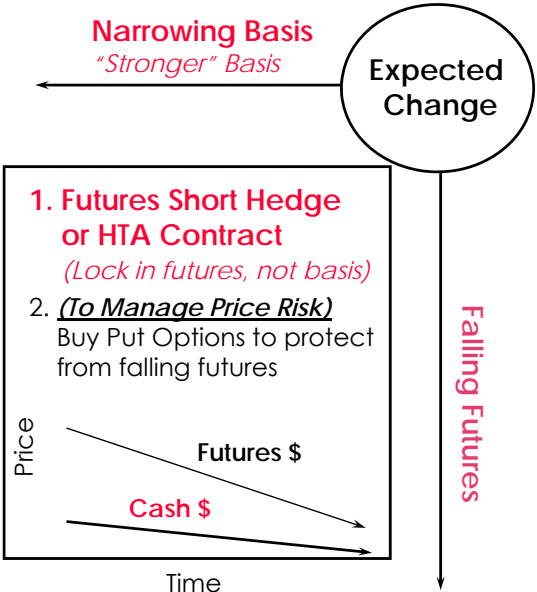
Preharvest Grain Sales Strategies for
Rising Futures & Narrowing Basis



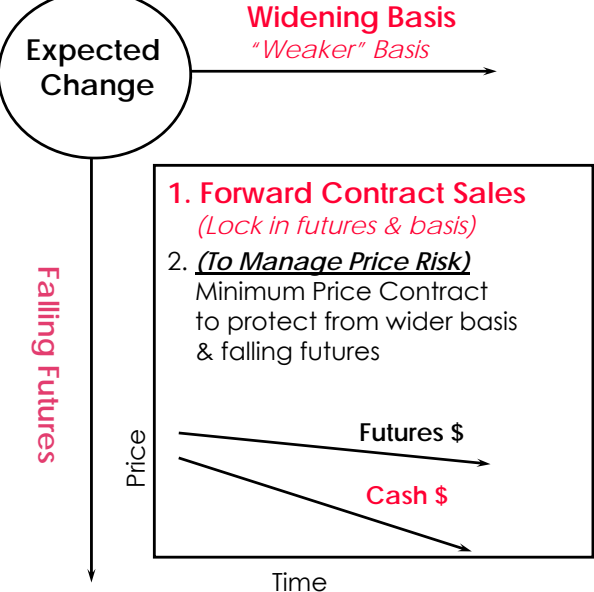
Preharvest Grain Sales Strategies for
Rising Futures & Widening Basis



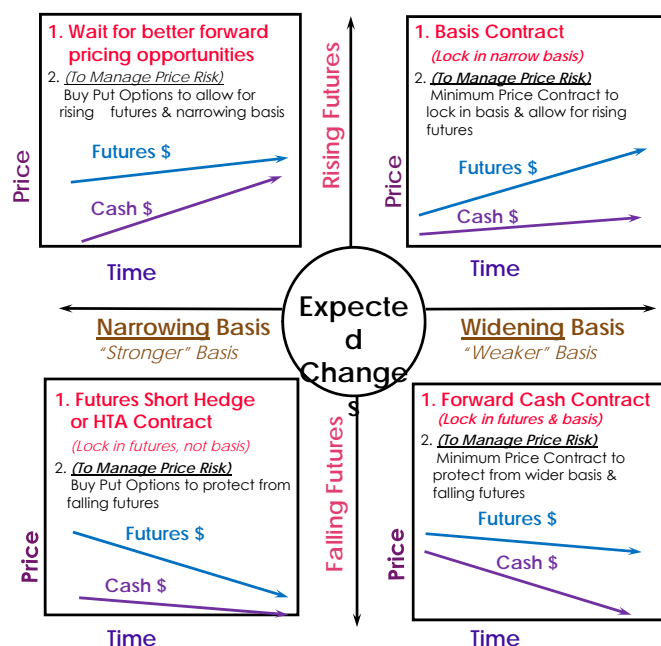
Preharvest Grain Sales Strategies for
Falling Futures & Narrowing Basis



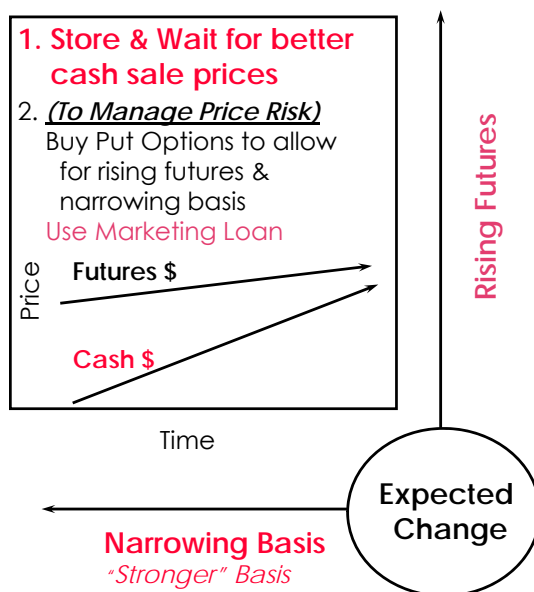
Preharvest Grain Sales Strategies for
Falling Futures & Widening Basis



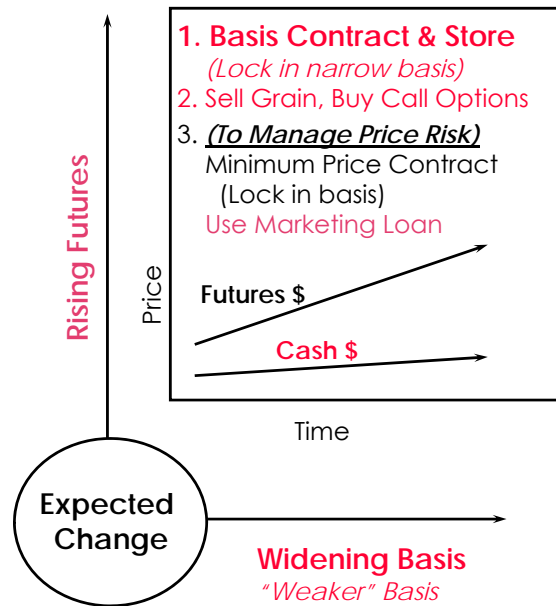
Which pre-harvest grain sales strategy to use?



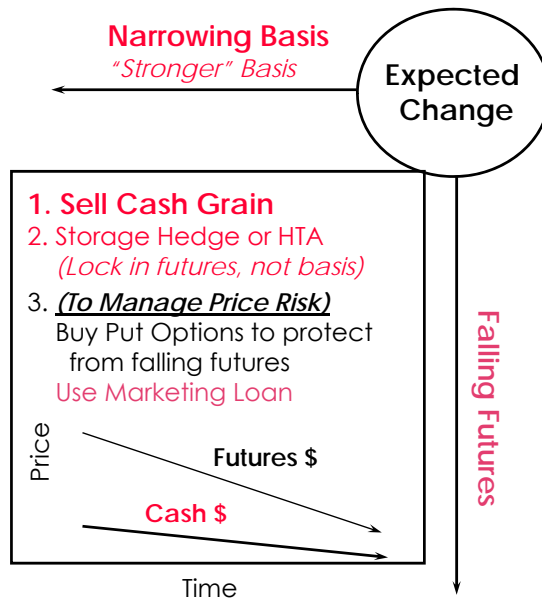
Harvest/Postharvest Sales Strategies for Rising Futures & Narrowing Basis



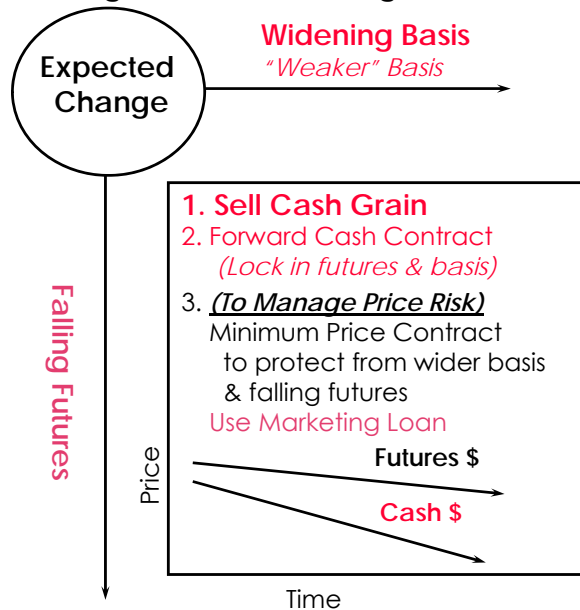
Harvest/Postharvest Sales Strategies for Rising Futures & Widening Basis



Harvest/Postharvest Sales Strategies for Falling Futures & Narrowing Basis



Harvest/Postharvest Sales Strategies for Falling Futures & Widening Basis



Questions?

Daniel O'Brien – Kansas State University

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"Daniel O'Brien" on Facebook

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