Winning the Game™

January 29, 2024 Webinar

A simple, approach to crop marketing, emphasizing the development of both pre and post harvest marketing plans, an openness to various pricing tools, and a decision-making framework focused on action and taking the emotion out of marketing.

Webinars, in person Seminars and ½ day Workshops

Kansas Farm Bureau The Voice of Agriculture

K-State Research and Extension

North Central Extension Risk Management Education

Winning the Game

Developed by Dr. Ed Usset

What is a Marketing Plan?

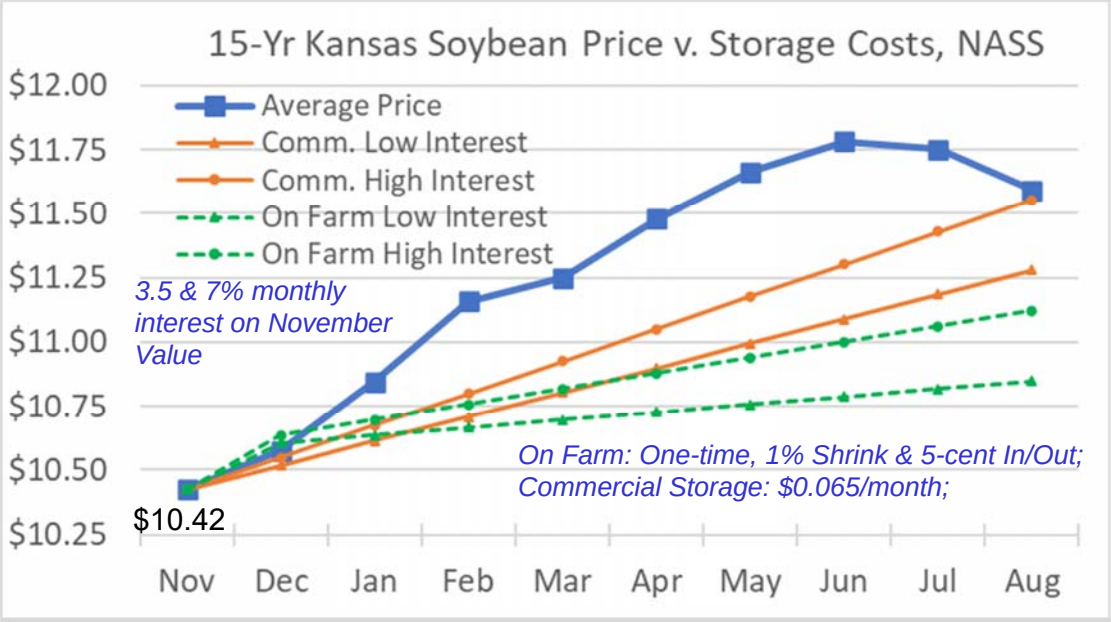
A proactive strategy to price your crop; before, at, and/or after harvest; that considers your financial goals, cash flow, storage capacity, crop insurance, labor, anticipated production, appetite for risk, and price outlook.

a) Preharvest plans by January (Oct for wheat).
b) Postharvest plans in Sep-Oct (May-Jun wheat).
c) Implementation and "decisions" throughout.

Winning the Game

Does Storage Pay?

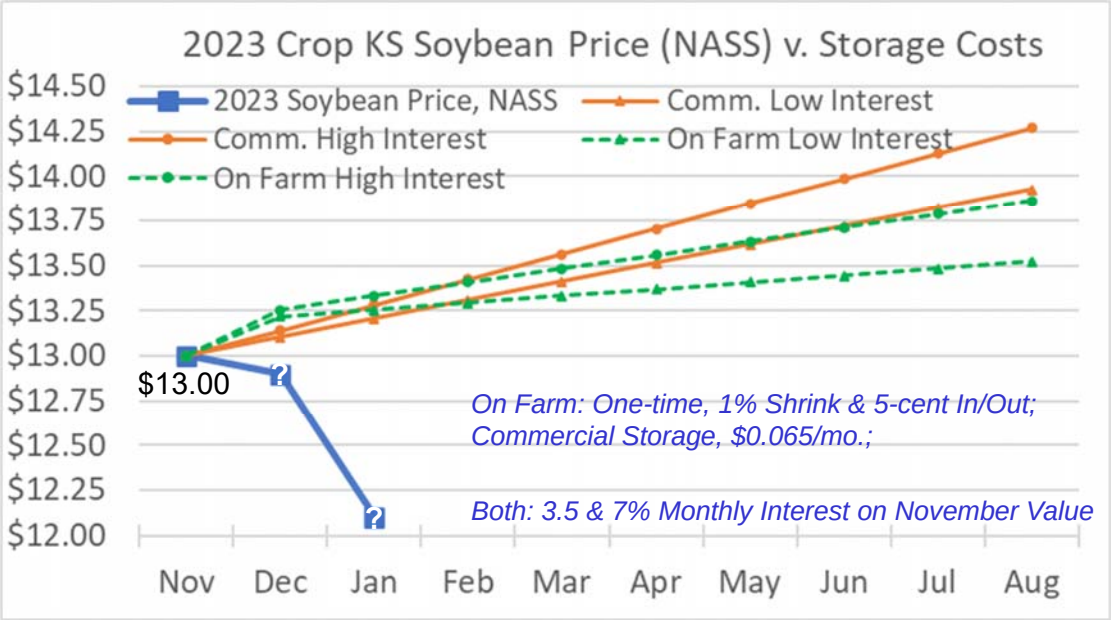
With soybeans, on average, yes.



2023 Crop Postharvest Plans (Sep/Oct, May/Jun wheat)

"Pretty much right after many of us made the sell or store decision this year, prices began to trend lower."

How are we doing with 2023 crop?



2023 Crop Postharvest Decisions

a) Continue to store the physical commodity

b) Sell the physical commodity

- Be done! And focus on 2024
- Re Own with futures or a call option

Estimated Costs / Month	Wheat	Corn	Beans
Commercial High Interest	$0.107	$0.088	$0.141
Commercial Low Interest	$0.084	$0.074	$0.103
On Farm High Interest	$0.047	$0.028	$0.076
On Farm Low Interest	$0.024	$0.014	$0.038

** Shrink and any In/Out Charge for On Farm Storage is nowa Sunk Cost*

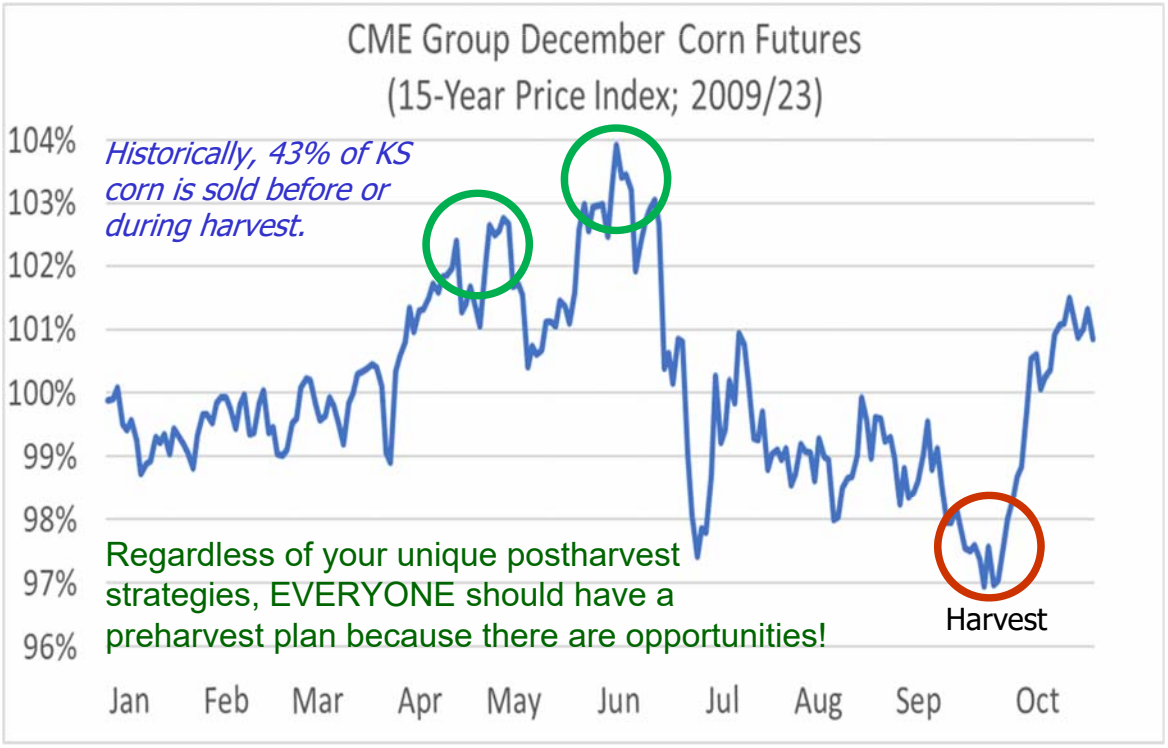
Basis Expectations?

Price Expectations?

"You've got to ask yourself one question: Do I feel lucky?"

Dirty Harry

2024 Crop Preharvest Corn Marketing



WINNING THE GAME

Key Marketing Plan Elements

To be effective, marketing plans must include:

1. Pricing Increments, (how much each time);
2. Pricing Targets, (the price$ you'll sell at); and
3. Pricing Dates, (designed to compel action when/if price targets aren't reached).

Together, these can guide your decisions, **lead to action**, and help take the emotion out of marketing.

- Know your cost of production!
- Learn about different marketing tools.
- Create and work with a "Marketing Team."

WINNING THE GAME

Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

Pricing Targets v. January 1

Jan 1, 2024
$4.98

Let's start with the past 15 years

Jan 1 thru Sep 30 New Crop Futures Analysis

On average, harvest begins in September and is 75% complete by October 22

* Prices continued higher

Fifteen Years: CME December Corn Futures

2009/23	Jan 1 Price	Preharvest Max Price	Change	Percent Change
2009	$4.56	$4.73	$0.17	4%
2010*	$4.45	$5.22	$0.77	17%
2011	$5.53	$7.75	$2.23	40%
2012	$5.90	$8.39	$2.49	42%
2013	$5.92	$5.94	$0.01	0%
2014	$4.48	$5.13	$0.65	14%
2015	$4.20	$4.52	$0.32	8%
2016	$3.77	$4.49	$0.72	19%
2017	$3.84	$4.15	$0.31	8%
2018	$3.87	$4.27	$0.40	10%
2019	$3.98	$4.69	$0.70	18%
2020*	$4.05	$4.05	$0.00	0%
2021	$4.35	$6.37	$2.02	46%
2022	$5.48	$7.66	$2.18	40%
2023	$6.07	$6.29	$0.22	4%

WINNING THE GAME

Pricing Targets v. January 1

Jan 1, 2024
$4.98

Let's sort'em by rally size

Jan 1 thru Sep 30 New Crop Futures Analysis

Fifteen Years: CME December Corn Futures

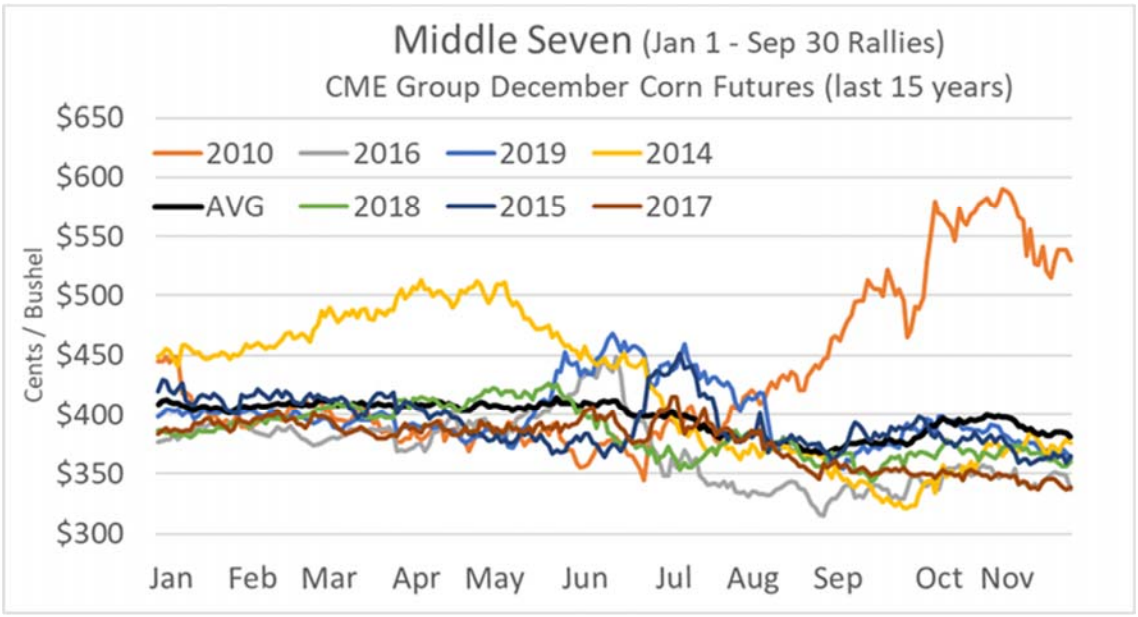
2009/23	Jan 1 Price	Preharvest Max Price	Change	Percent Change
2012	$5.90	$8.39	$2.49	42%
2011	$5.53	$7.75	$2.23	40%
2022	$5.48	$7.66	$2.18	40%
2021	$4.35	$6.37	$2.02	46%
2010	$4.45	$5.22	$0.77	17%
2016	$3.77	$4.49	$0.72	19%
2019	$3.98	$4.69	$0.70	18%
2014	$4.48	$5.13	$0.65	14%
2018	$3.87	$4.27	$0.40	10%
2015	$4.20	$4.52	$0.32	8%
2017	$3.84	$4.15	$0.31	8%
2023	$6.07	$6.29	$0.22	4%
2009	$4.56	$4.73	$0.17	4%
2013	$5.92	$5.94	$0.01	0%
2020	$4.05	$4.05	$0.00	0%

27% of the time, at least a $2.00 rally

53% of the time, at least a $0.65 rally

73% of the time, at least a $0.25 rally

WINNING THE GAME



- "Mid" years, generally trend lower throughout preharvest, so we can't ignore $0.50 to $0.70 rallies vs. the Jan 1 price.
- May, Jun & Jul offer opportunities to price preharvest. Note how the late season rally of 2010 rewarded patience.

A Sample Pre-Harvest Feedgrain Plan

Objective: Buy crop insurance to protect production risk and maximize the price received on bushels sold before or at harvest.

(1) Increments **(3) Pricing dates**

Pricing four increments of total expected APH production

1 Price 20% at $5.65 December futures or by Jun 1 "Cash-based"
2 Price 10% at $6.25 December futures or by Jul 20 "Cash-based"
3 Price 20% at $7.00 "Cash, futures or options"
4 Price 25% at $7.25 December futures

(2) Pricing targets

Pricing tools?

- Be patient; Don't ignore $0.50-$.75 rallies; Aggr. price targets;
- Plan is designed to price at least **30%** of APH production, but IF we see a significant rally of $2.25, we'll price up to **75%**.
- If using a "cash" marketing alternative, **NEVER** price at less than your expected production cost per bushel.

A Sample Pre-Harvest Soybean Plan

Objective: Buy crop insurance to protect production risk.
Maximize the price received on bushels sold before or at harvest.

Pricing three increments of total expected APH production
1 Price 20% at $13.25 November futures or by Jun 15
2 Price 10% at $14.00 November futures or by Sep 15
3 Price 20% at $14.50 November futures
4 Price 25% at $15.25 November futures

- Be patient; Don't ignore $0.50-$1.50 rallies; Aggr. price targets;
- Plan is designed to price at least **30%** of APH production, but IF we see a significant rally of $3.00, we'll price up to **75%**.
- If using a "cash" marketing alternative, **NEVER** price at less than your expected production cost per bushel.

WINNING THE GAME

WINNING THE GAME

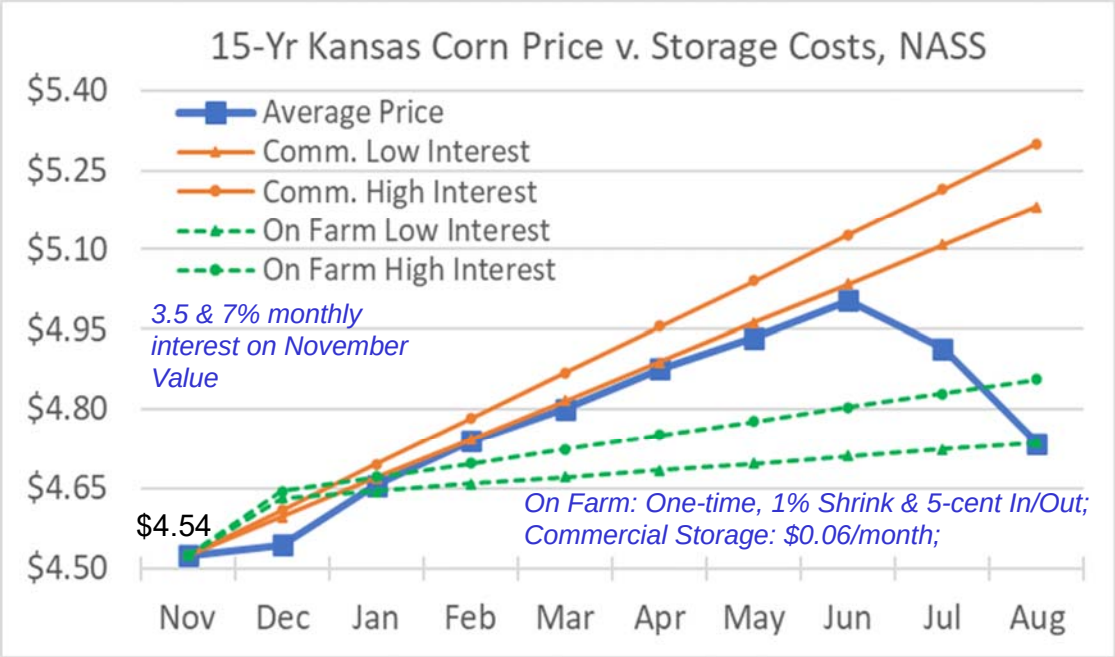
Thank you so much!

Mark Nelson
Director of Commodities
Kansas Farm Bureau
nelsonm@kfb.org
@Nelz360

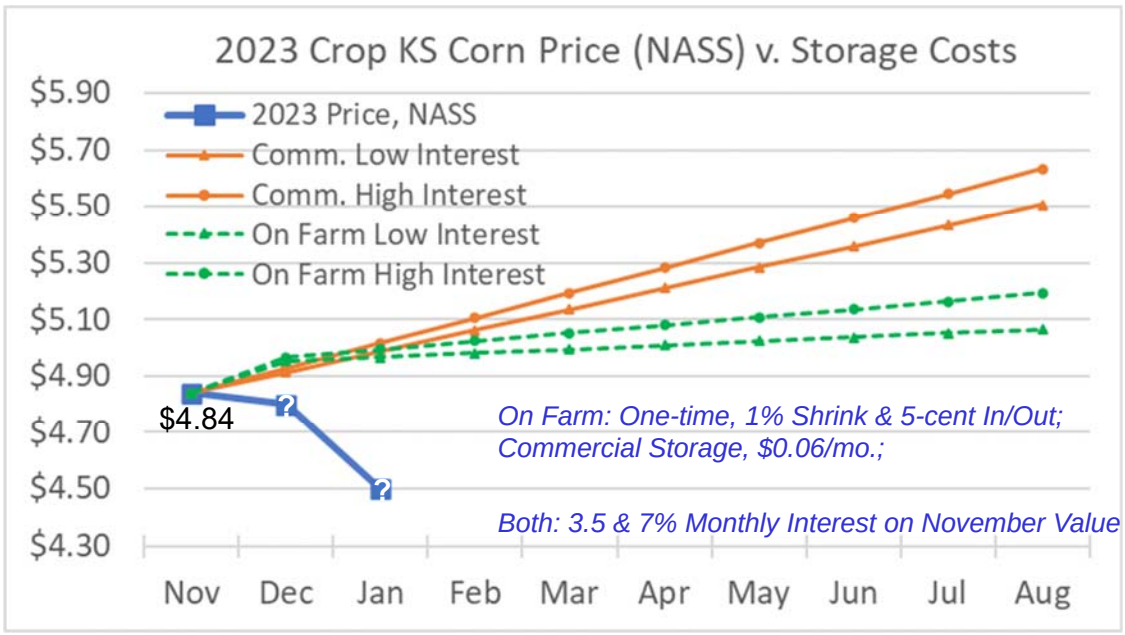
KANSAS FARM BUREAU
The Voice of Agriculture

WINNING THE GAME

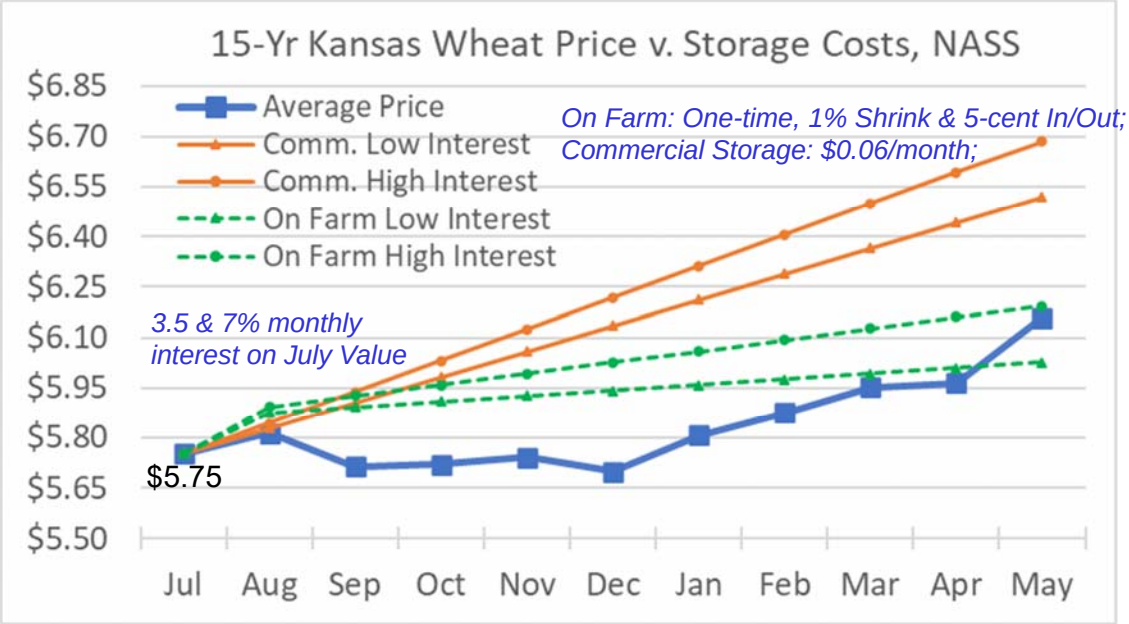
Can I cover my storage costs?
With corn, on average, it's close.



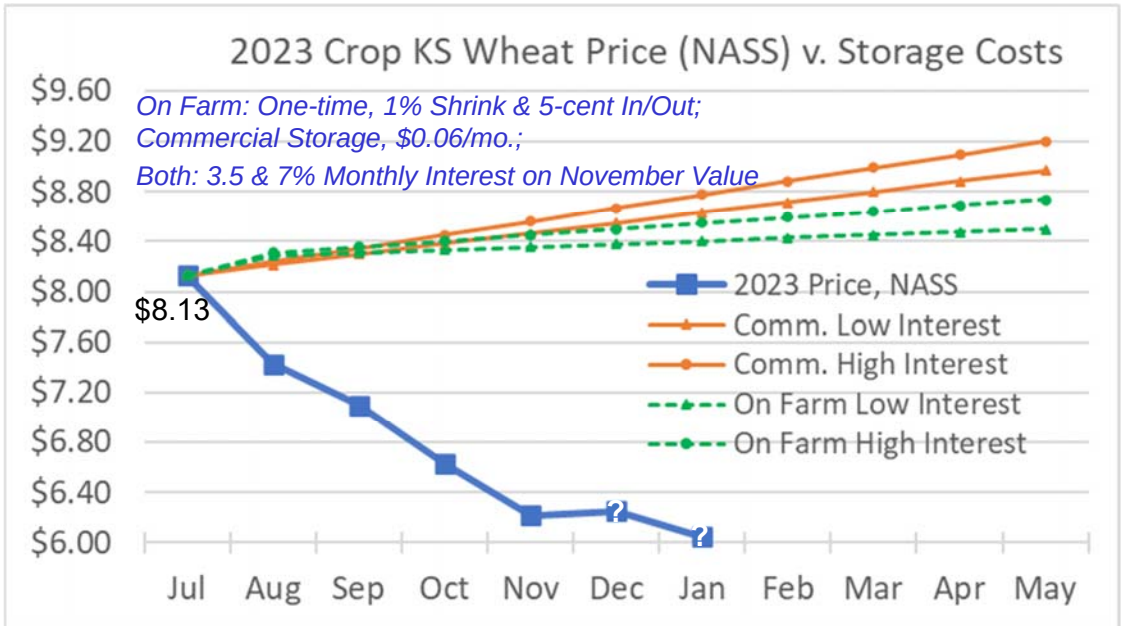
How are we doing with 2023 crop?



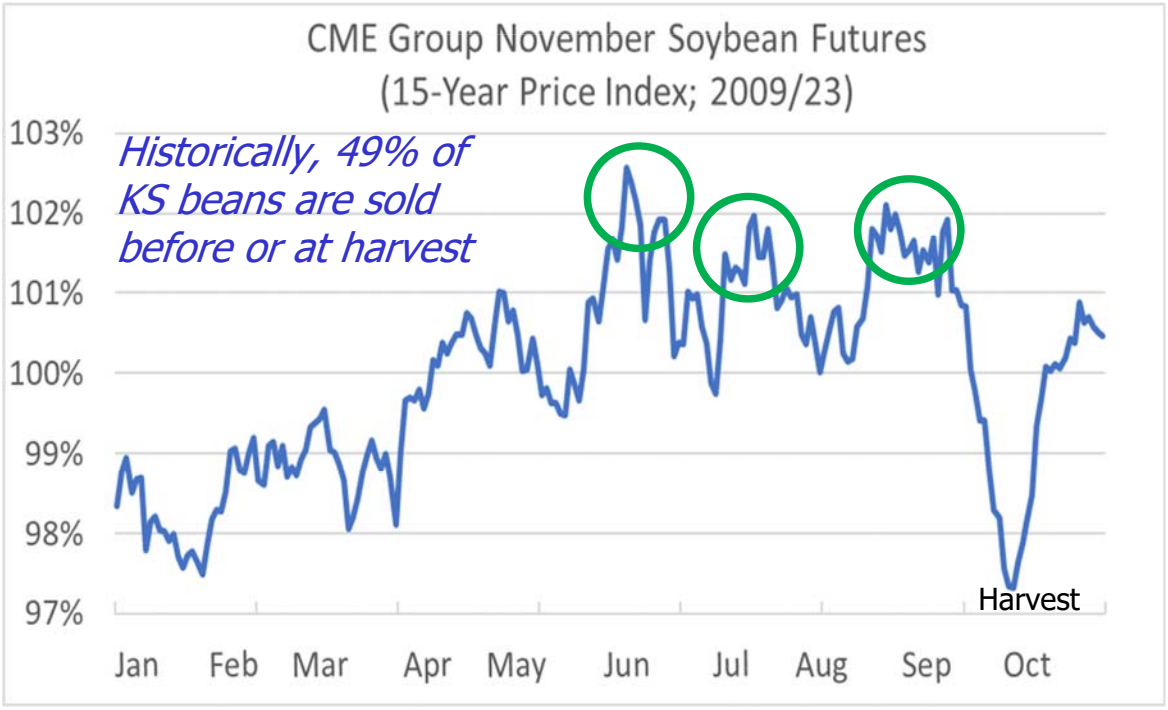
Can I cover my storage costs?
With wheat, on average, nope.



How are we doing with 2023 crop?



2024 Crop Preharvest Bean Marketing



WINNING THE GAME

Pricing Targets v. January 1

Jan 1, 2024
$12.22

Let's start with the past 15 years

Jan 1 thru Sep 30 New Crop Futures Analysis

On average, harvest begins in October and is 75% complete by November 1

Fifteen Years: CME NOV Soybean Futures

2009/23	Jan 1 Price	Preharvest Max Price	Change	Percent Change
2009	$10.04	$10.90	$0.86	9%
2010*	$10.20	$11.89	$1.09	11%
2011	$12.94	$14.58	$1.63	13%
2012	$12.19	$17.68	$5.49	45%
2013	$12.94	$13.96	$1.02	8%
2014	$11.29	$12.71	$1.42	13%
2015	$9.93	$10.37	$0.44	4%
2016	$8.73	$11.63	$2.90	33%
2017	$9.83	$10.43	$0.60	6%
2018	$9.82	$10.54	$0.71	7%
2019	$9.44	$9.64	$0.21	2%
2020*	$9.81	$10.44	$0.63	9%
2021	$11.21	$14.60	$3.39	30%
2022	$12.84	$15.82	$2.99	23%
2023	$13.97	$14.25	$0.27	2%

* Prices continued higher

WINNING THE GAME

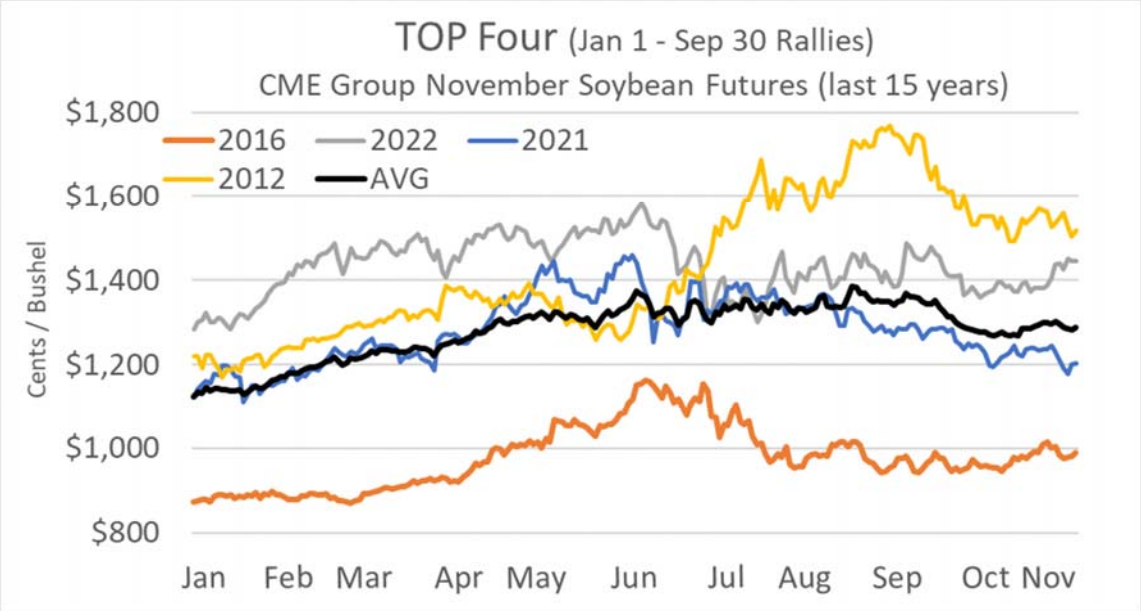
Pricing Targets v. January 1

Let's sort'em by rally size

Jan 1, 2024
$12.22

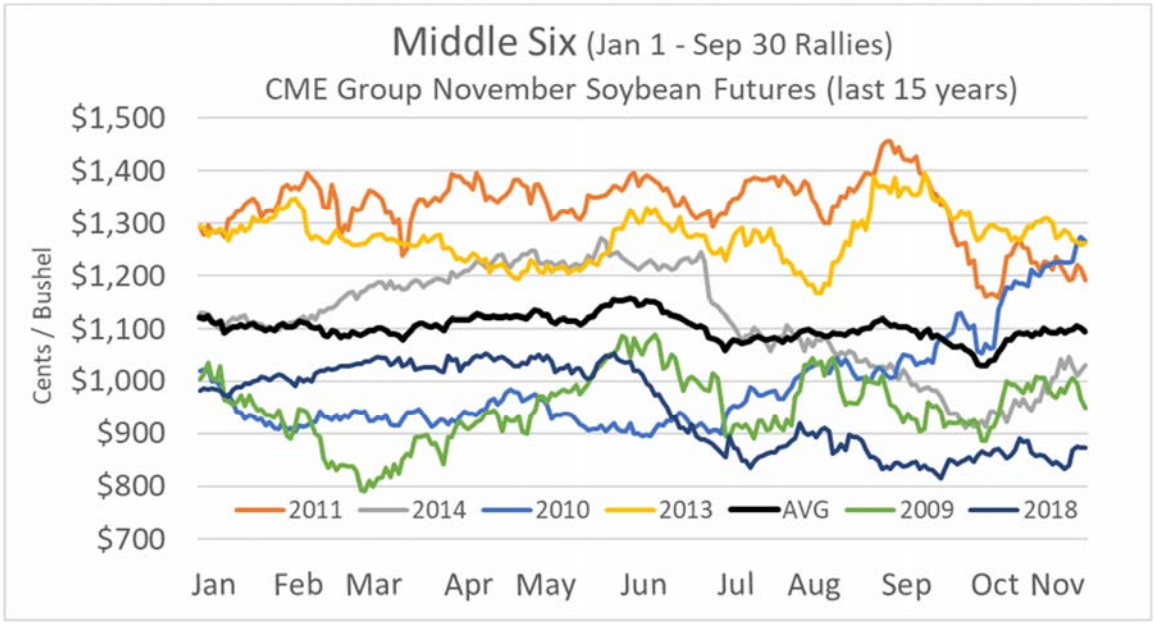
	Fifteen Years: CME NOV Soybean Futures				
	2009/23	Jan 1 Price	Preharvest Max Price	Change	Percent Change
27% of the time, at least a $2.90 rally	2012	$12.19	$17.68	$5.49	45%
	2021	$11.21	$14.60	$3.39	30%
	2022	$12.84	$15.82	$2.99	23%
	2016	$8.73	$11.63	$2.90	33%
53% of the time, at least a $1.00 rally	2011	$12.94	$14.58	$1.63	13%
	2014	$11.29	$12.71	$1.42	13%
	2010	$10.20	$11.89	$1.09	11%
	2013	$12.94	$13.96	$1.02	8%
80% of the time, at least a $0.50 rally	2009	$10.04	$10.90	$0.86	9%
	2018	$9.82	$10.54	$0.71	7%
	2020	$9.81	$10.44	$0.63	9%
	2017	$9.83	$10.43	$0.60	6%
	2015	$9.93	$10.37	$0.44	4%
	2023	$13.97	$14.25	$0.27	2%
	2019	$9.44	$9.64	$0.21	2%

WINNING THE GAME

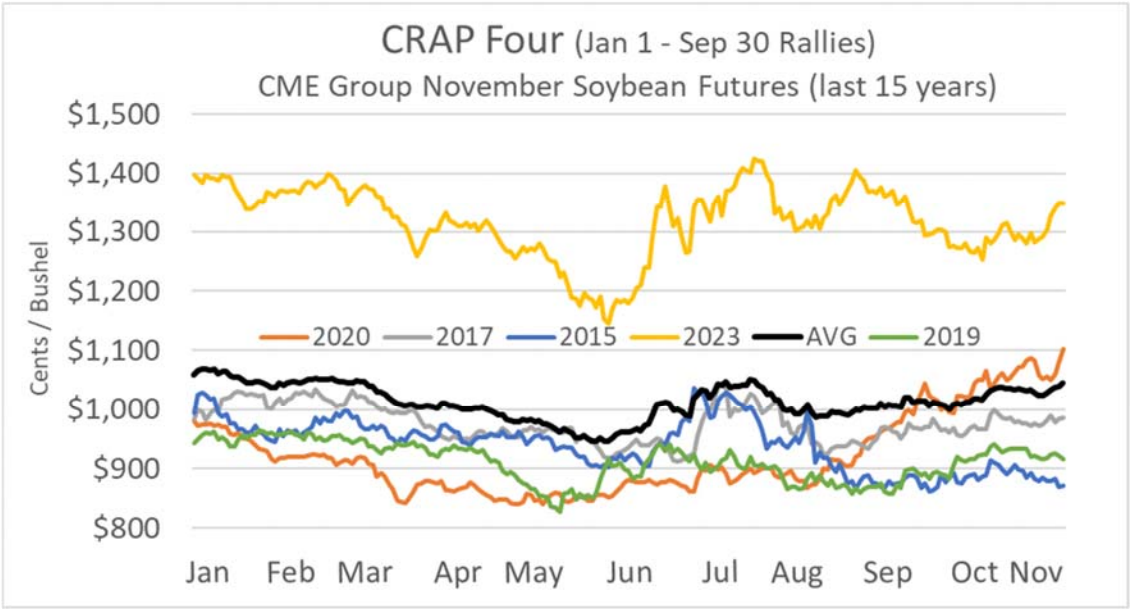


- In "good" years, prices trend higher throughout preharvest, rewarding patience and aggressive price targets.
- Jun – Sep offer opportunities to price.

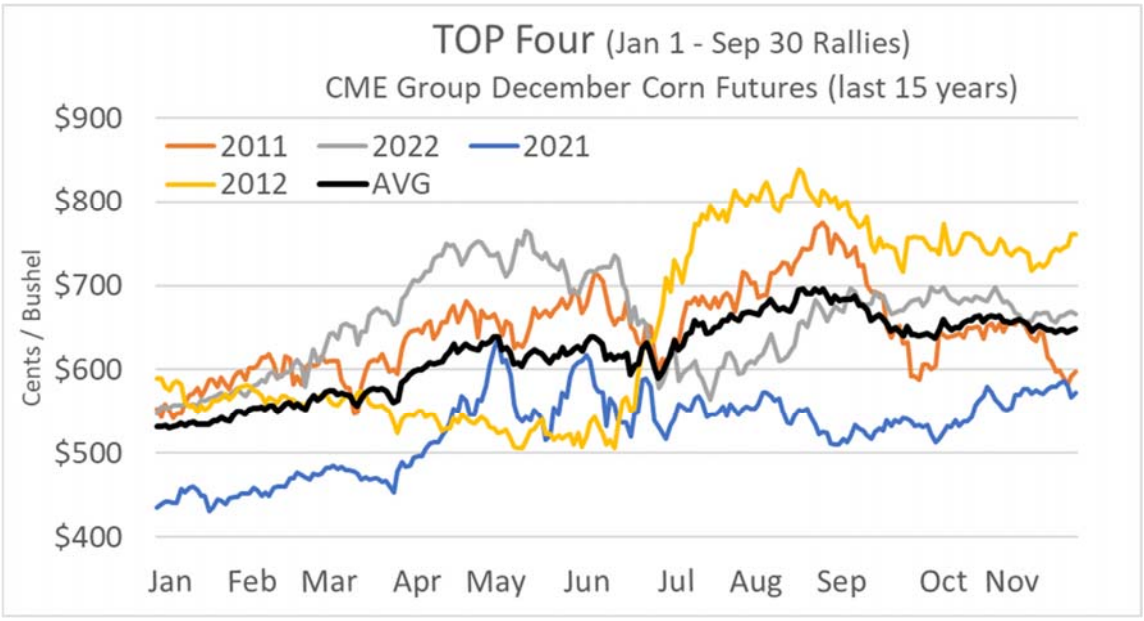
WINNING THE GAME



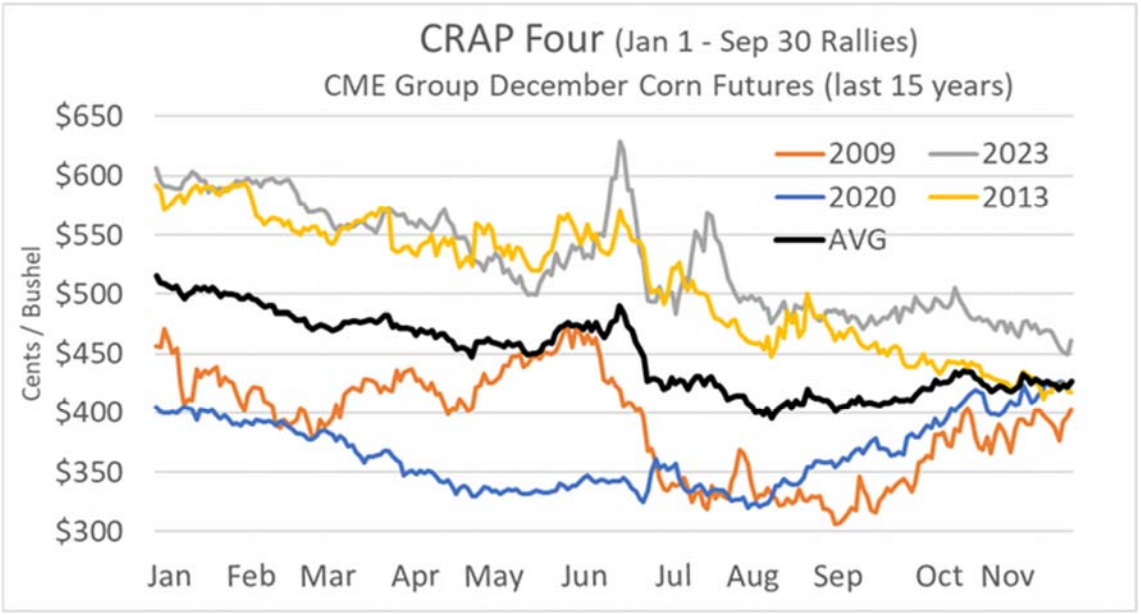
- In "Mid" years, prices trend largely sideways to lower but preharvest opportunities often arise, offering prices $0.50 to $1.50 greater than both, the Jan 1 and harvest prices.



- In "Crap" years, prices trend largely sideways to lower.
- Summer rallies (Jul – Sep) back to Jan 1 levels can provide opportunities that meet or exceed harvest time price levels.



- In "good" years, prices trend higher throughout preharvest, rewarding patience and aggressive price targets.
- May – Jun & Aug – Sep offer opportunities to price.



- In "Crap" years, prices trend lower throughout preharvest.
- Summer rallies (Jun – Aug) back to Jan 1 levels can provide opportunities that exceed harvest time price levels.