



May 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



Developed by Dr. Ed Usset

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Sample
Marketing Plans

1. Don't think of these as recommendations, but as an **OUTLINE** for you to consider and compare your marketing plan and actions to.
2. To be effective, marketing plans must include:
 - a) Pricing Increments, (how much each time);
 - b) Price Targets, (the price/profit you'll sell at);
 - c) Date Targets, (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.



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A Sample Pre-Harvest 2024 Wheat Plan

Began Oct 1, 2023: Buy crop insurance to protect production. Maximize price received on bushels sold before, or at harvest.

Pricing four increments of total expected APH production

- 1 ~~Price 10% at \$7.50 July futures or by Apr 15~~
- 2 Price 20% at \$8.00 July futures or by Jun 1
- 3 Price 20% at \$9.00 July futures
- 4 Price 25% at \$10.00 July futures

- Be patient; Don't ignore \$0.50/\$0.60 rallies but be aggressive with price targets;
- Plan is designed to price at least **30%** of APH production, but IF we see a significant rally of \$2.00+, we'll price up to **75%**.
- If using a "cash" marketing alternative, **NEVER** price at less than your expected production cost per bushel. $\$6.35 + \$0.25 - (\$0.40) = \7.00 minimum futures target

\$6.31 COP, rounded to \$6.35 per bu.



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2024 Preharvest Wheat Plan Implementation

Plan start: October 1, July
CME HRW @ \$6.97 ½

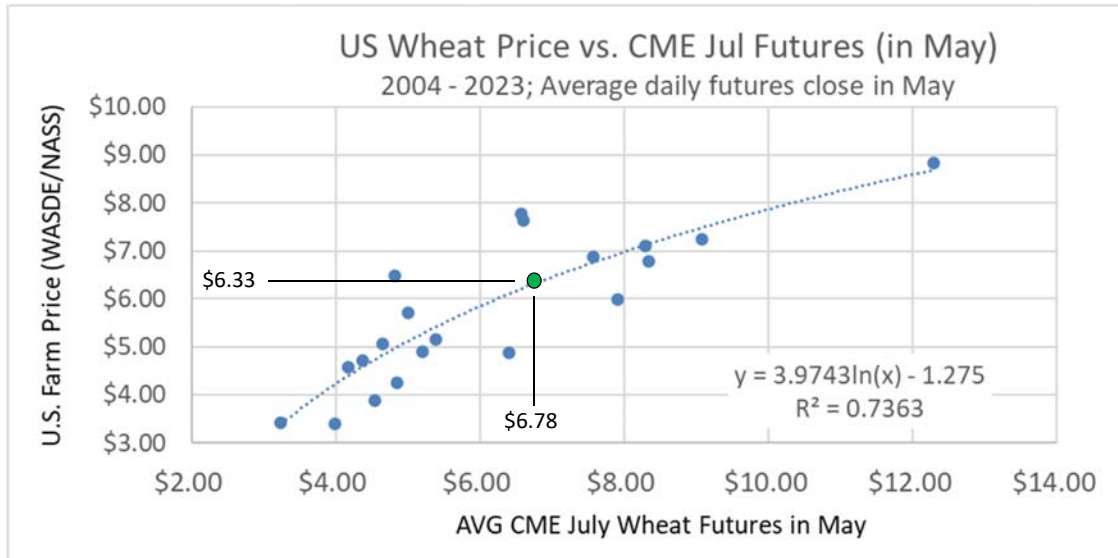
10% of expected production priced at an average of \$6.51 CME JUL Wheat Fut.

KEN24 - Hard Red Wheat - Daily OHLC Chart



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Estimating the 2024 Average US Wheat Price



- 1) This is simply an X/Y plot.
- 2) But . . . \$6.78 July CME futures thru the 28th, implies a \$6.33 2024 U.S. Farm Price (versus USDA's \$6.00, and 2023's \$7.10)



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Salina-based, on farm, comparison of 2024 postharvest wheat marketing alternatives ~5/28/24

2024 Wheat	Postharvest Alternatives			1/17/25		
8/1/2024 Date beginning storage calculations 5/28/24 Example	(A) Sell the Grain	(B) Sell Grain, Buy a Call Option	★ Sell Grain & Bull Call Spread	(\$0.57) Current Deferred Basis	5.5 Months of Storage	(D) Storage Hedge & Storage Costs
Local Cash Price	\$7.16	\$7.16	\$7.16	March Futures		\$7.73
Buy an Option	March => Call	Call	Call	Expected Basis		(\$0.200)
A-T-M Strike		\$7.70	\$7.70	Interest	5.0%	(\$0.164)
Option Premium		(\$0.75)	(\$0.75)	Mo. Chrg.	\$0.000	\$0.000
Sell an Option		March => Call		or 1 time: 1% Shrink and \$0.05 In-Out		(\$0.122)
O-T-M Strike			\$8.30	Storage to date	\$0.00	
Option Premium			\$0.55			
Minimum Price	\$7.16	\$6.40	\$6.94	Expected Price		\$7.23
Futures Price to BE w/ (A)		\$8.46	\$7.92	Expected Profit		\$0.07

YOU MUST SELL MARCH CME WHEAT FUTURES!

Suggesting a \$0.07 return over selling at harvest, down \$0.23 from last month. On farm storage example.

DO NOT consider this a marketing recommendation or advice, and ONLY work with tools you're comfortable with, and a broker you trust.



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A Sample Postharvest 2024 Wheat Plan

Objective: Maximize income relative to harvest time wheat value.

Deliver the 20% Forward Contracted Bushels and then:

- 1 Sell all uncontracted bushels at harvest.
- 2 Consider a "March Call Spread" on 50% of production.

- Seasonal trends, plus current futures market carry, make wheat storage more concerning than a month ago.
- A March Call Spread at current levels would allow for the opportunity take advantage of any significant price rallies at less cost than the simpler, "Buying a Call Option."
- BE futures for the Call Spread is currently \$7.92, March HRW futures, with a potential for a \$0.38 gain.
- Once implemented, a profit goal (**\$0.20**) and date to close out the position (**Jan 31, 2025**) should be added.



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A Sample Pre-Harvest 2024 Feedgrain Plan

Began Jan 1: Buy crop insurance to protect production risk and maximize price received on bushels sold before, or at harvest.

Pricing four increments of total expected APH production

- 1 Price 20% at \$5.65 December futures or by Jun 1
- 2 Price 10% at \$6.25 December futures or by Jul 20
- 3 Price 20% at \$7.00
- 4 Price 25% at \$7.25 December futures

- Be patient; Don't ignore \$0.50-\$0.75 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. $\$4.50 + \$0.30 - (\$0.20) = \5.00 minimum futures target



\$4.47 WK IRR-weighted COP, rounded to \$4.50/bu.

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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

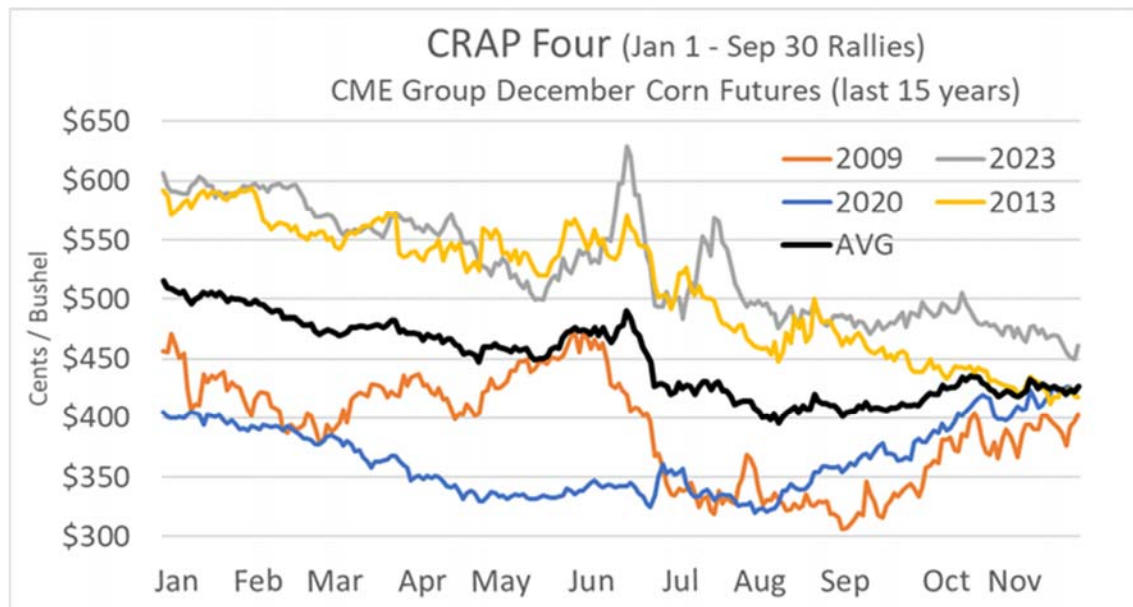
53% of the time, at least a \$0.65 rally

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

CRAP YEARS, little to no rally vs. Jan. 1



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- 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.



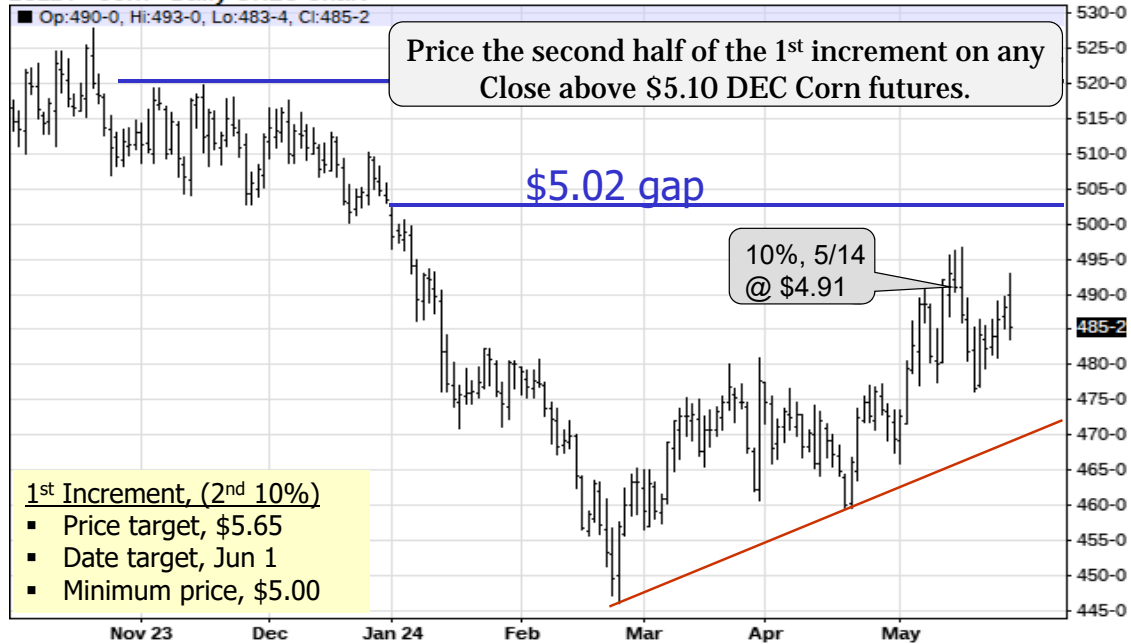
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2024 Preharvest Corn Plan Implementation

Plan start: Jan 1, December
CME Corn @ \$4.98 ¼

Average \$4.91 CME
DEC Futures Position

ZCZ24 - Corn - Daily OHLC Chart



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A Sample Pre-Harvest 2024 Soybean Plan

Began Jan 1: Buy crop insurance to protect production risk.
Maximize the price received on bushels sold before or at harvest.

Pricing four 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. $\$10.00 + \$0.30 - (\$0.70) = \11.00 minimum futures target

\$9.72 EK-weighted COP, rounded to \$10/bu.



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2024 Preharvest Bean Plan Implementation

Plan start: Jan 1, November
CME Bean @ \$12.22

Average \$12.13 CME
NOV Futures Position

ZSX24 - Soybean - Daily OHLC Chart



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Thank you so much!

What About 2025?

	<u>Jul Hard Wheat</u>	<u>Dec Corn</u>	<u>Nov Soybeans</u>
2025	\$7.57	\$4.91	\$11.85
2026	\$7.00	\$4.80	\$11.67
2027		\$4.76	\$11.31



5/28/24 closes



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“Our postharvest marketing goal should be to better our position versus harvest values.”

On-Farm Storage Costs

- Variable (Time, Shrink, Utilities, Repairs, Insecticide and Interest)
- “Variable Income” (Harvest Time Saved)

Off-Farm/Commercial Storage Costs

- Variable Costs (Handling Charge and Interest)

Postharvest Alternatives

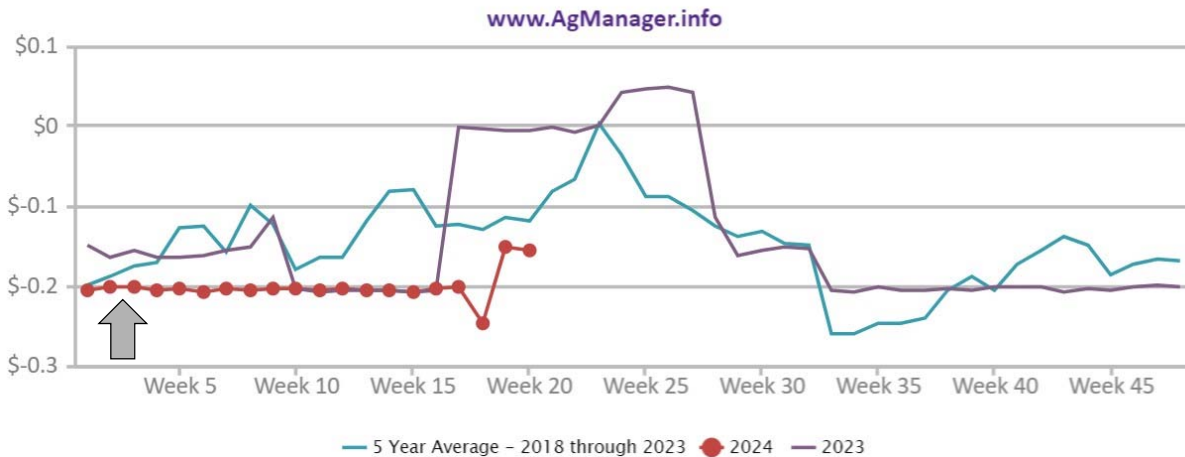
1. Store & Hedge, (store the crop & sell futures or buy a put option)
2. Store Unhedged (possibly what many folks consider)
3. Sell the crop at harvest (What a lot folks do)
4. Sell the crop & buy a call option (“minimum price contract”)
5. Sell the crop; buy a call & sell an OTM call (i.e., spread)



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To assess the potential for basis appreciation, start with the historical basis at the expected time of sale.

SALINA, KS: Hard Red Winter Wheat Basis - CARGILL



The 5-year average (March CME futures) basis in mid January is (\$0.18). Compare that to March basis today [\$7.16 cash - \$7.73 futures = (\$0.57)]. Implying the potential for \$0.55 in basis appreciation! BUT! check at harvest!



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Call Spread

A “Retained Ownership” Position
With **LIMITED UPSIDE** potential

This alternative involves selling the physical commodity. You benefit from overall market rallies but not basis gains.

The call spread involves buying a call (ATM) and selling another call at a different, greater strike price (OTM), but with the same expiration and underlying contract.

At a predetermined profit or date target, you exit both call option positions.

✓ **This strategy establishes a higher floor** than other minimum price alternatives (via call premium received).

✓ **It also establishes a ceiling** at the OTM call strike. As you **pay margin as futures rise**, offsetting ATM call gains.

<https://www.cmegroup.com/education/courses/option-strategies/bull-spread.html>



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Let's turn to our 2024 Postharvest Wheat Marketing Plan Elements

To be effective, marketing plans must include:

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

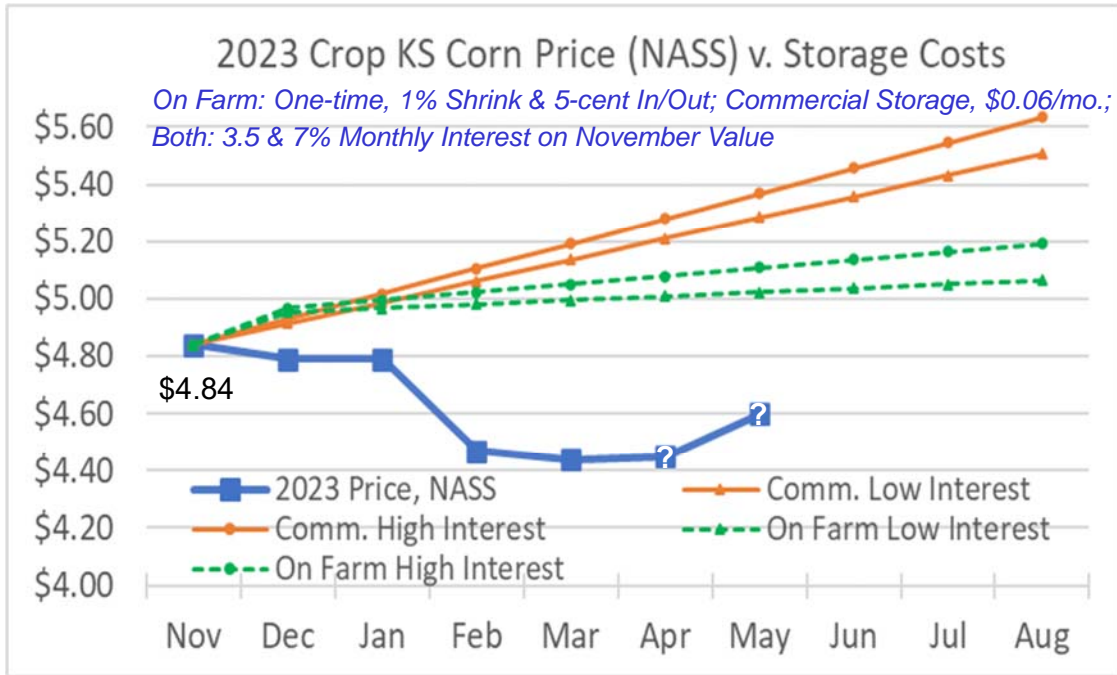
Together, these can guide your decisions, **lead to action**, and help take the emotion out of marketing.

- Learn about different marketing tools.
- Create and work with a “Marketing Team.”



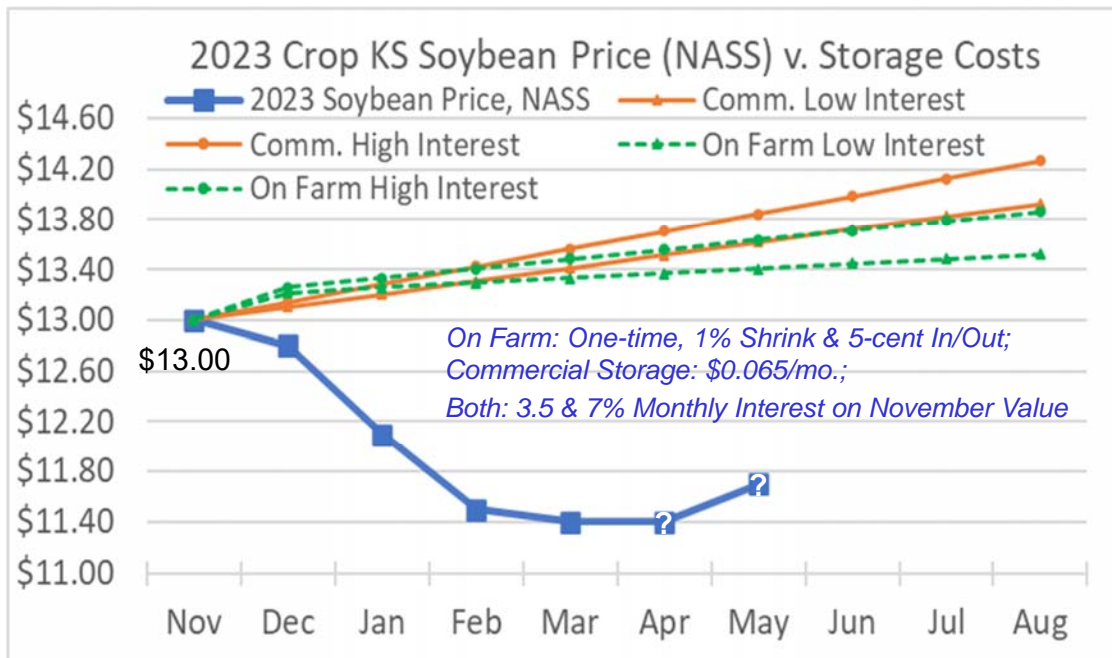
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How are we doing with 2023 crop?



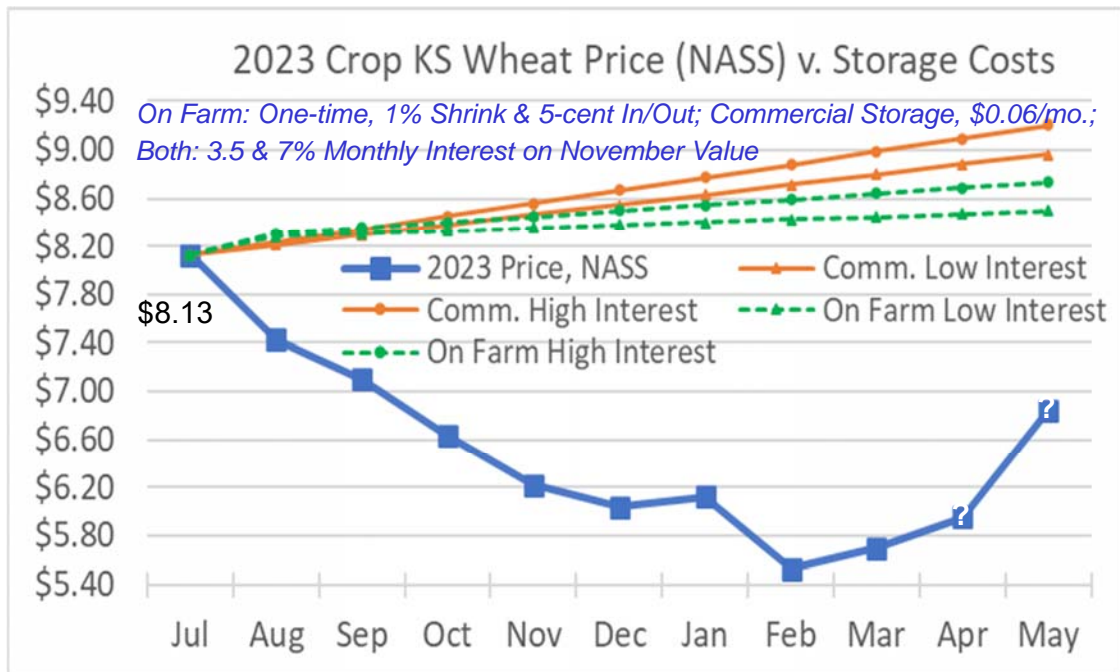
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How are we doing with 2023 crop?



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How are we doing with 2023 crop?



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2024 Costs of Production – Total expenses per bu. (yield)

	Dry Corn	IRR Corn	G. Sorghum
NW	\$5.09 (89)	\$4.55 (240)	\$4.71 (85)
SW	\$5.22 (82)	\$4.58 (225)	\$4.35 (85)
NC	\$4.17 (120)	\$4.24 (240)	\$3.43 (120)
SC	\$3.87 (110)	\$4.40 (225)	\$2.82 (110)
NE	\$4.31 (145)		\$3.80 (125)
SE	\$4.18 (120)		\$3.58 (100)



	Soybeans	Wheat
NW	\$13.44 (25)	\$6.95 (60)
SW	\$13.33 (25)	\$7.35 (54)
NC	\$8.91 (45)	\$5.98 (62)
SC	\$8.17 (40)	\$5.07 (62)
NE	\$8.36 (55)	\$6.55 (68)
SE	\$4.18 (120)	\$6.05 (61)



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