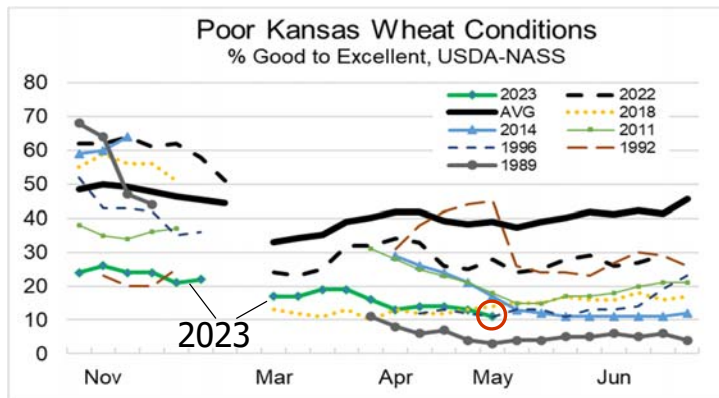




Has KS Wheat ever been this bad before?



1. Review of Preharvest Plans
2. Postharvest Wheat Alternatives
3. Turn things over to Dr. Dan



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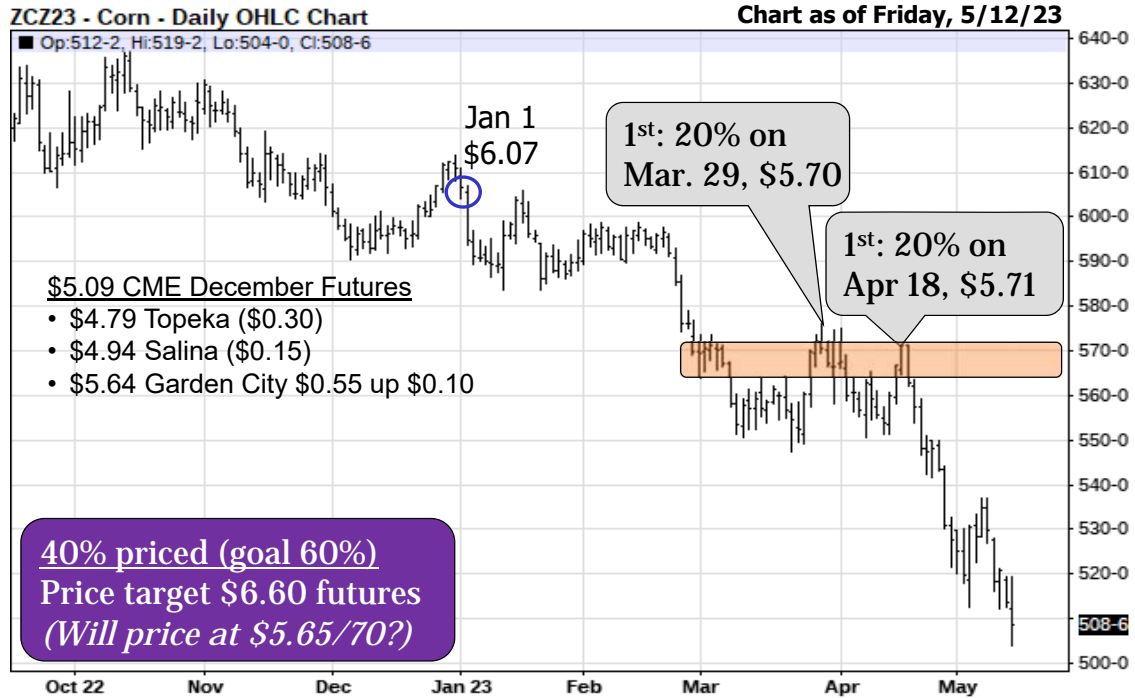
## Preharvest Marketing Plans (Key Principals)

1. **Determine the Number of Bushels to Price.**
2. **How Many Incremental Sales to Make.**
3. **Price Targets.** Set at incrementally greater levels.
4. **Decision Dates.** Dates you WILL take action, regardless of price. Aim for seasonal highs.
5. **Never Price.** Below your estimated COP.
6. **Catch Up.** If we pass a decision date due to low prices, make catch up sales if/when prices rally.
7. **Pricing Tools.** Use what you're comfortable with. Work with your broker for more advanced



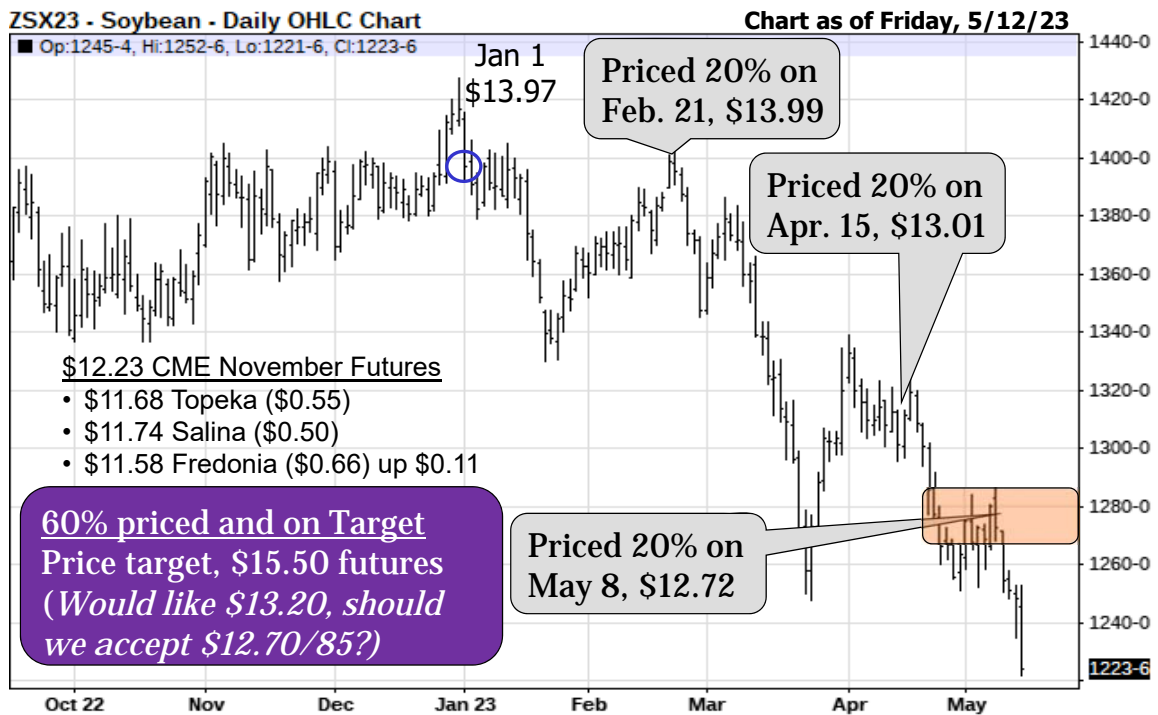
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# Sample 2023 Pre-Harvest Feedgrain Plan



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# Sample 2023 Pre-Harvest Soybean Plan



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# Sample 2023 Pre-Harvest Wheat Plan

**Began Oct 1:** Insuring at 80%; Including ~~80%~~<sup>60%</sup> of APH as the **bushels to price preharvest.**

*How Many Bushels are you pricing?*

Using five increments

- ~~Price 20% at \$10.00 July futures, or by Feb. 1~~      27%@\$9.96
- ~~Price 20% at \$11.00 July futures, or by Mar. 15~~      20%@\$8.97
- Price 20% at \$12.00 July futures, or by Apr. 15
- Price 30% at \$13.50 July futures, or by May 1-20
- Price 10% at \$14.50 July futures, or by Jun. 1-20

Ignore decision dates and make no sale if prices are lower than **\$8.00 local cash price** [\$7.72 + \$0.28) non-irrigated KSU AVG].

*\$9.00*

**What's your minimum TARGET PRICE?**



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# Sample 2023 Pre-Harvest Wheat Plan



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# Adjusting Mid Plan

- ✓ Obviously, our goal is to maximize profits.
- ✓ Our Plan says, "never sell below your expected cost of production in the preharvest phase."

Question: Would it ever be preferable to price a portion preharvest, even at prices less than your cost of production? To minimize losses?

***Use caution when adjusting your plan but we may well be nearing this point!***



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## Sample 2023 Pre-Harvest Soybean Plan

**Began Jan 1:** Insuring at 80%; Including 80% of APH as the **bushels to price preharvest.**

Using five increments

<del>Price 20% at \$14.00 Nov. futures, or by Mar. 15</del>	20%@\$13.99
<del>Price 20% at \$14.20 Nov. futures, or by Apr. 15</del>	20%@\$13.01
<del>Price 20% at \$15.00 Nov. futures, or by May 15</del>	20%@\$12.72
Price 30% at \$15.50 Nov. futures, or by Jun. 15	
Price 10% at \$18.00 Nov. futures, or by Jul. 15	

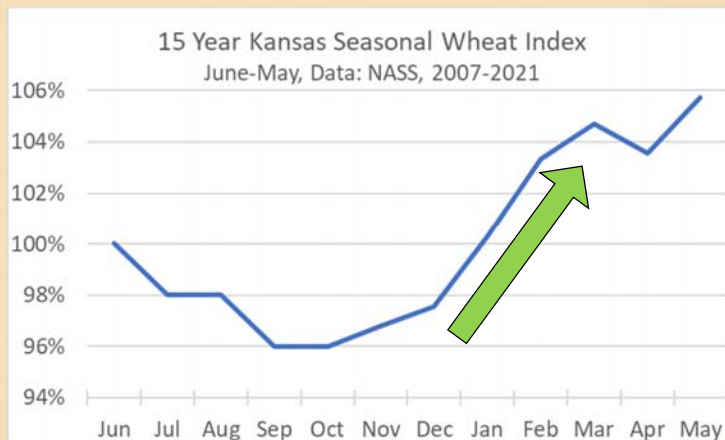
Ignore decision dates and make no sale if prices are lower than **\$12.00 local cash** price [ $\$11.43 + \$0.57$ ) non-irrigated KSU AVG].



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## Postharvest Pricing

### *The Store/Don't Store Decision*



Yes, prices rise postharvest, but is it enough to cover my storage costs?

- 1) Is there futures carry in the market?
- 2) Is there any potential for basis appreciation?
- 3) What are my storage costs?



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## Postharvest Pricing

### *On-Farm v. Commercial Storage* *(KSU MF-2474 "The Econ of On-Farm Storage")*

#### On-Farm Storage Costs

- The Initial Investment
- Fixed Annual Costs: Depreciation, Interest, Taxes & Insurance
- Variable Costs: Utilities, Insecticide, Repairs, **Interest** & Shrink

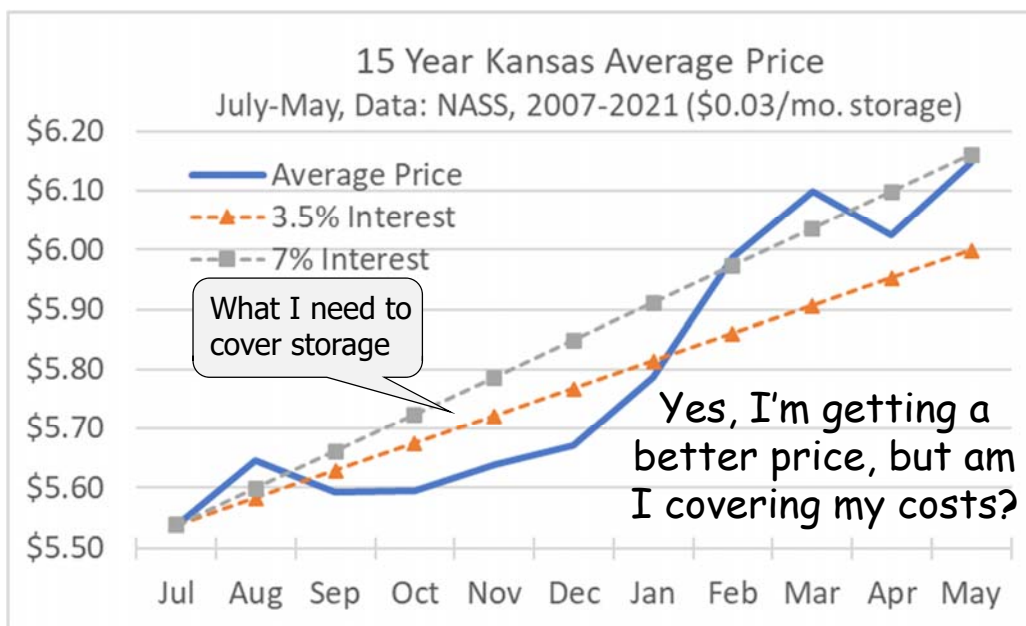
#### Commercial Storage Costs

- Variable Costs: Handling Charge (per month) and **Interest**



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# Examining the Past



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## Postharvest Pricing

### *What Are My Alternatives*

#### Postharvest Alternatives

- Store the grain and sell futures (“storage hedge”)
- Store the grain unhedged (possibly what many folks do)
- Sell the grain at harvest
- Sell the grain & buy a call option (“minimum price contract”)
- Sell the grain; buy a call & sell an OTM call (i.e., spread)

Let's run the math!

**These are NOT recommendations or advice!**



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2023 Wheat		Postharvest Alternatives			2/12/24	
<b>7/15/2023</b> Date beginning storage calculations <b>Salina KS Example</b>	<b>(A)</b> Sell the Grain at Harvest	<b>(B)</b> Sell Grain, Buy a Call Option	<b>(C)</b> Sell Grain & Bull Call Spread	<b>\$0.46</b> Current Defered Basis	<b>7</b> Months of On-Farm Storage	<b>(D)</b> Storage Hedge On-Farm Interest & In-Out Chrg
Local Cash Price	<b>\$8.98</b>	\$8.98	\$8.98	March Futures		<b>\$8.52</b>
Buy an Option	<b>March</b> => Call	Call	Call	Expected Basis		<b>\$0.00</b>
A-T-M Strike		<b>\$8.50</b>	\$8.50	Interest	<b>5.0%</b>	<b>(\$0.26)</b>
Option Premium		<b>(\$0.69)</b>	<b>(\$0.69)</b>	Mo. Chrg. or 1 time In-Out	<b>\$0.00</b>	\$0.00
Sell an Option		March => Call	Call			<b>(\$0.10)</b>
O-T-M Strike			<b>\$9.50</b>			<b>NO</b>
Option Premium			<b>\$0.41</b>			<b>X</b>
Minimum Price	<b>\$8.98</b>	<b>\$8.28</b>	<b>\$8.68</b>	Expected Price		<b>\$8.16</b>

NOTE: This is a “harvest time” example, but I’m using today’s prices.

NOTE: Only work with tools you’re comfortable with, and work with your broker when using more advanced strategies.



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Postharvest Alternative Comparisons on 2/12/24					
Basis = <b>\$0.00</b>	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>
What IF Futures Go To <b>\$7.52</b>	Sell the Grain at Harvest	Sell Grain, Buy a Call Option	Sell Grain & Bull Call Spread	Storage Hedge On-Farm Interest & In-Out Chrg	Just Store Unhedged
<b>Net Prices</b> ==>	<b>\$8.98</b>	<b>\$8.28</b>	<b>\$8.68</b>	<b>\$8.16</b>	<b>\$7.16</b>
Value from Buying the Call \$8.50 Call for		\$0.00 <b>(\$0.69)</b>	\$0.00	Storing unhedged is the riskiest alternative!	
Value from Selling the Call \$9.50 Call for		\$0.41	\$0.00		
Value from Selling Selling Futures					\$1.00
Local Price	\$7.52	and Storage Costs	<b>(\$0.36)</b>		

When prices decline, each of the “option-based” alternatives result in their “minimum price.” . . . . . We need prices to rally!



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Postharvest Alternative Comparisons on 2/12/24					
Basis = <b>\$0.00</b>	(A)	(B)	(C)	(D)	(E)
What IF Futures Go To <b>\$9.52</b>	Sell the Grain at Harvest	Sell Grain, Buy a Call Option	Sell Grain & Bull Call Spread	Storage Hedge On-Farm Interest & In- Out Chrg	Just Store Unhedged
<b>Net Prices</b> ==>	<b>\$8.98</b>	<b>\$9.30</b>	<b>\$9.68</b>	<b>\$8.16</b>	<b>\$9.16</b>
<i>Value from Buying the Call</i>		\$1.02	\$1.02		
\$8.50 Call for	(\$0.69)				
<i>Value from Selling the Call</i>			(\$0.02)		
\$9.50 Call for	\$0.41				
<i>Value from Selling Selling Futures</i>				(\$1.00)	
Local Price \$9.52 and Storage Costs			(\$0.36)		

Modest rallies favor the “Bull Spread.”

Thanks, and we'll turn it over to Dan



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Postharvest Alternative Comparisons on 2/12/24					
Basis = <b>\$0.00</b>	(A)	(B)	(C)	(D)	(E)
What IF Futures Go To <b>\$10.52</b>	Sell the Grain at Harvest	Sell Grain, Buy a Call Option	Sell Grain & Bull Call Spread	Storage Hedge On-Farm Interest & In- Out Chrg	Just Store Unhedged
<b>Net Prices</b> ==>	<b>\$8.98</b>	<b>\$10.30</b>	<b>\$9.68</b>	<b>\$8.16</b>	<b>\$10.16</b>
<i>Value from Buying the Call</i>		\$2.02	\$2.02		
\$8.50 Call for	(\$0.69)				
<i>Value from Selling the Call</i>			(\$1.02)		
\$9.50 Call for	\$0.41				
<i>Value from Selling Selling Futures</i>				(\$2.00)	
Local Price \$10.52 and Storage Costs			(\$0.36)		



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# Sample 2023 Pre-Harvest Feedgrain Plan

**Began Jan 1:** Insuring at 80%; Including 80% of APH as the **bushels to price preharvest.**

## Using five increments

<del>Price 20% at \$6.10 Dec. futures, or by Mar. 15</del>	20%@\$5.70
<del>Price 20% at \$6.30 Dec. futures, or by Apr. 15</del>	20%@\$5.71
Price 20% at \$6.60 Dec. futures, or by May 15	
Price 30% at \$7.50 Dec. futures, or by Jun. 15	
Price 10% at \$8.30 Dec. futures, or by Jul. 15	

Ignore decision dates and make no sale if prices are lower than **\$5.50 local cash corn** price [ $\$5.01 + \$0.49$ ] non-irrigated KSU AVG].

**\$4.86 local cash milo** price [ $\$4.17 + \$0.69$ ] non-irrigated KSU AVG].

**What's Yours?**



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