Why do I need a Marketing Plan?

- ✓Without a plan, it is difficult to make pricing decisions, let alone evaluate success.
- ✓Fear and greed are powerful emotions - that will affect your decisions. A solid plan is the most effective weapon against these emotions.

Preharvest Marketing Plan (Key Principals)

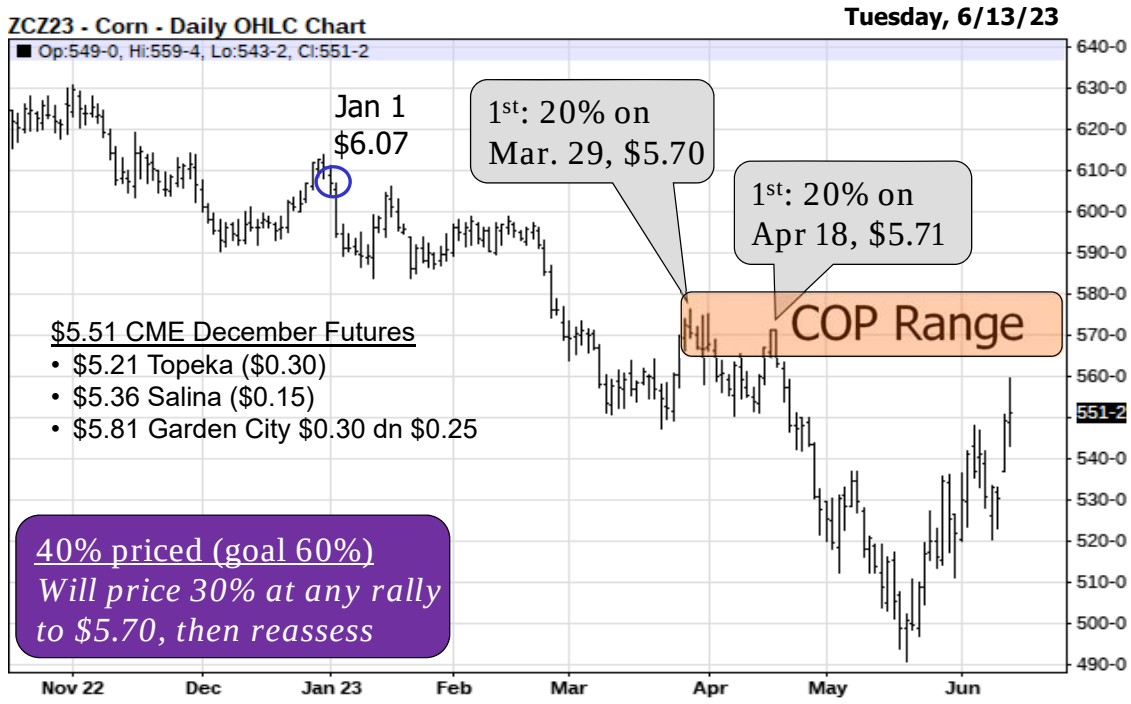
1. **How many bushels are in YOUR plan?**
2. **How many incremental sales will you make?**
3. **Price Targets**. Set at incrementally greater levels.
4. **Decision Dates**. Dates you WILL take action, regardless of price.
5. **Don't price** below your estimated COP.
6. **Catch Up**. If we pass a decision date due to low prices, make catch up sales if/when prices rally.
7. **Pricing Tools**. Use what you're comfortable with. Work with a broker for more advanced strategies.

1. Review Progress of our Preharvest Plans
2. Examine Postharvest Wheat Alternatives
3. Turn it over to Dan

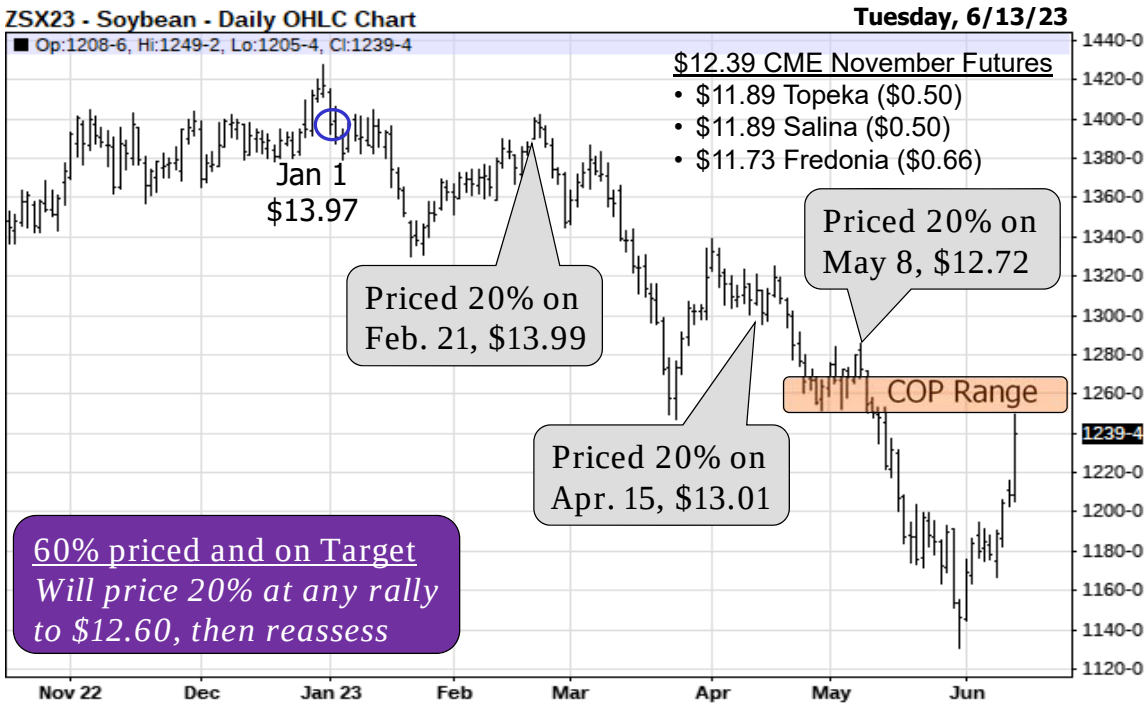
2023 Preharvest marketing has been a year of defense.

- In this declining market, we're not hitting **price targets**, but instead are identifying opportunities within the intervals of our **decision dates**.
- For some, prices have often been below our estimated **costs of production**, limiting progress. *Are you covering your costs of production?*

Sample 2023 Pre-Harvest Feedgrain Plan



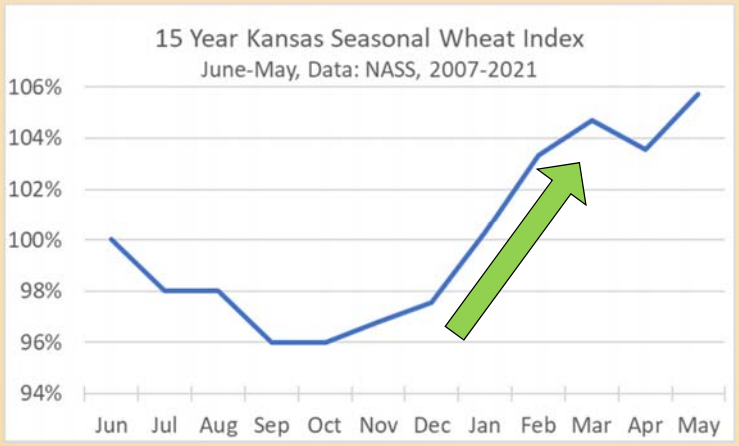
Sample 2023 Pre-Harvest Soybean Plan



Sample 2023 Pre-Harvest Wheat Plan

Postharvest Pricing

Postharvest Price Appreciation



Normally comes from a combination of:

a) An overall increase in the wheat market, i.e. futures/cash; and

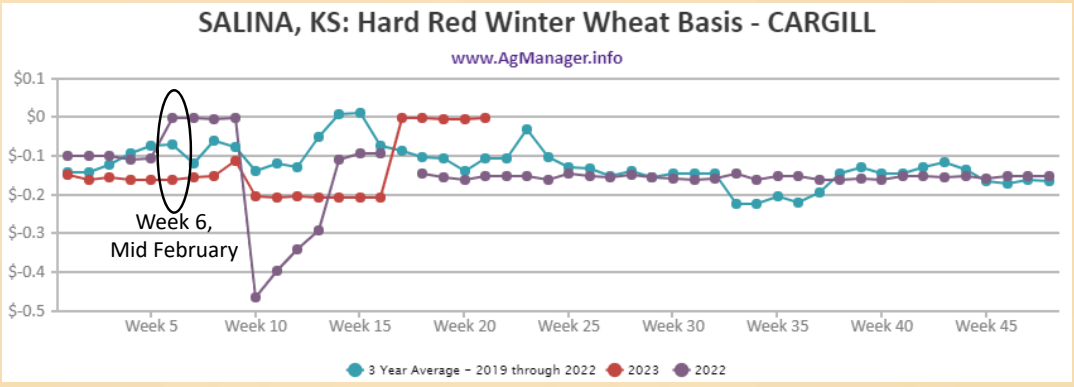
b) Strengthening in basis, in order to pull grain out of local storage.

WINNING THE GAME

Postharvest Pricing

What's the Market Saying?

1. Is there "carry" in the futures market? No.
   JUL, $7.9175; DEC, $7.90; MAR, $7.8575



2. Is there any potential for basis appreciation? Not much.
   MAR CME HRW Wheat basis is $0.07. By mid-February, March wheat basis on average is ($0.07), this year ($0.16), and in 2022 it was $0.00

WINNING THE GAME

Postharvest Pricing

On-Farm v. Commercial Storage

(KSU MF-2474 "The Econ of On-Farm Storage)

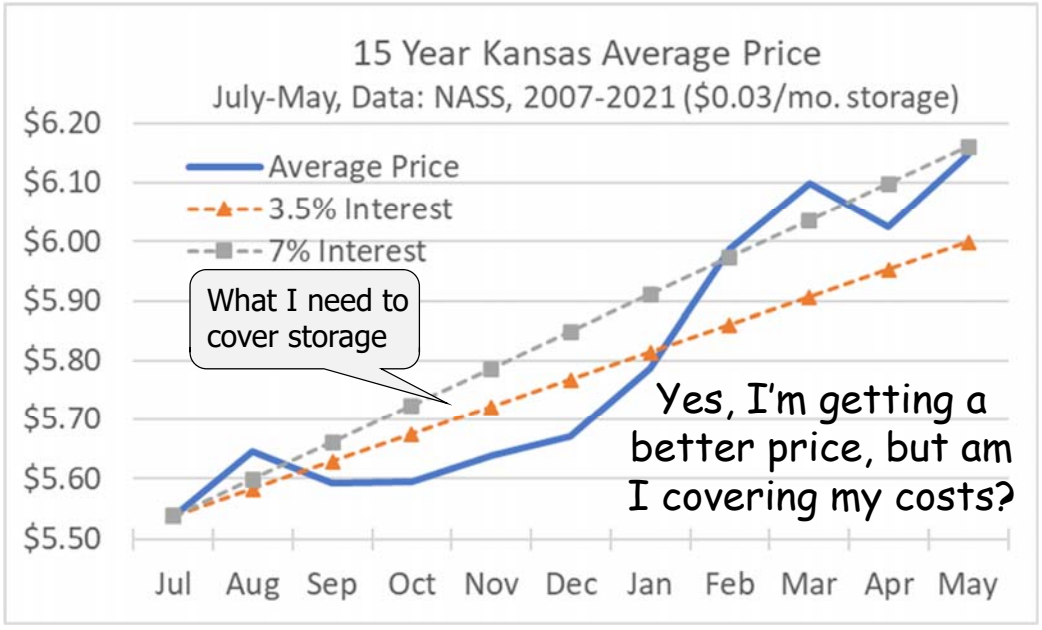
On-Farm Storage Costs

- ❑ 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

3. Can I cover my storage costs? Depends on what they are.



Postharvest Pricing

What Are My Alternatives

Postharvest Alternatives

1. ~~Store the grain and sell futures ("storage hedge")~~
2. Store the grain unhedged (possibly what many folks do)
3. Sell the grain at harvest
4. Sell the grain & buy a call option ("minimum price contract")
5. Sell the grain; buy a call & sell an OTM call (i.e., spread)

Let's run the math!

Remember: These are NOT recommendations or advice!

2023 Wheat	Postharvest Alternatives				2/14/24	
6/13/2023 Date beginning storage calculations **Salina KS Example**	**(A)** Sell the Grain at Harvest	**(B)** Sell Grain, Buy a Call Option	**(C)** Sell Grain & Bull Call Spread	$0.07 Current Defered Basis	**8** Months of On-Farm Storage	**(D)** Storage Hedge On-Farm Interest & In-Out Chrg
Local Cash Price	**$7.92**	$7.92	$7.92	March Futures		**$7.85**
Buy an Option	**March**	=> Call	Call	Expected Basis		**$0.00**
A-T-M Strike		**$7.90**	$7.90	Interest	**5.0%**	($0.26)
Option Premium		**($0.66)**	($0.66)	Mo. Chrg.	**$0.00**	$0.00
Sell an Option		March	=> Call	or 1 time In-Out		**($0.10)**
O-T-M Strike			**$9.00**			
Option Premium			**$0.34**			
Minimum Price	**$7.92**	**$7.25**	**$7.58**	Expected Price		**$7.49**

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.

Postharvest Alternative Comparisons on 2/14/24						
Basis =	$0.00	(A)	(B)	(C)	(D)	(E)
What IF Futures Go To	$6.85	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
Net Prices =====>		**$7.92**	**$7.25**	**$7.58**	**$7.49**	**$6.49**
Value from Buying the Call			($0.67)	($0.67)		
$7.90 *Call for*	($0.66)					
Value from Selling the Call				$0.33		
$9.00 *Call for*	$0.34					
Value from Selling Selling Futures					$1.00	
Local Price	$6.85	and Storage Costs		($0.36)		

Storing unhedged is the riskiest alternative!

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

Postharvest Alternative Comparisons on 2/14/24						
Basis =	$0.00	(A)	(B)	(C)	(D)	(E)
What IF Futures Go To	$8.85	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
Net Prices =====>		**$7.92**	**$8.20**	**$8.53**	**$7.49**	**$8.49**
Value from Buying the Call			$0.28	$0.28		
$7.90 *Call for*	($0.66)					
Value from Selling the Call				$0.33		
$9.00 *Call for*	$0.34					
Value from Selling Selling Futures					($1.00)	
Local Price	$8.85	and Storage Costs		($0.36)		

Modest rallies favor the "Bull Spread."

Thanks, and we'll turn it over to Dan

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

~~Price 20% at $6.10 Dec. futures, or by Mar. 15~~	20%@$5.70
~~Price 20% at $6.30 Dec. futures, or by Apr. 15~~	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?

WINNING THE GAME

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

~~Price 20% at $14.00 Nov. futures, or by Mar. 15~~	20%@$13.99
~~Price 20% at $14.20 Nov. futures, or by Apr. 15~~	20%@$13.01
~~Price 20% at $15.00 Nov. futures, or by May 15~~	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].

WINNING THE GAME

Sample 2023 Pre-Harvest Wheat Plan

Began Oct 1: Insuring at 80%; Including ~~80%~~ *60%* 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?

WINNING THE GAME