WINNING THE GAME™ May 28 Webinar

Marketing in a World of Uncertainty

(Tariffs, Strategic Uncertainty and Weather)

✓Specifically Today

- Review wheat, feedgrain and soybean plans
- Provide some relevant but not necessarily representative examples of how **options** might be used in postharvest and preharvest marketing

Options

Options are contracts, standardized like futures, giving the buyer the RIGHT but not the obligation to a position (at a "strike price") in the futures market.

- **Puts** provide *"sell"* futures positions @ the STRIKE price; and can assist in providing a price floor.
- **Calls** provide *"buy"* futures position @ the STRIKE price; and can assist in taking advantage of potential price rallies.

Option **premiums** are the "price" of the option, they are what options buyers pay to option sellers (less commissions) and are the most an option BUYER can lose. **Premiums can be expensive**

Options

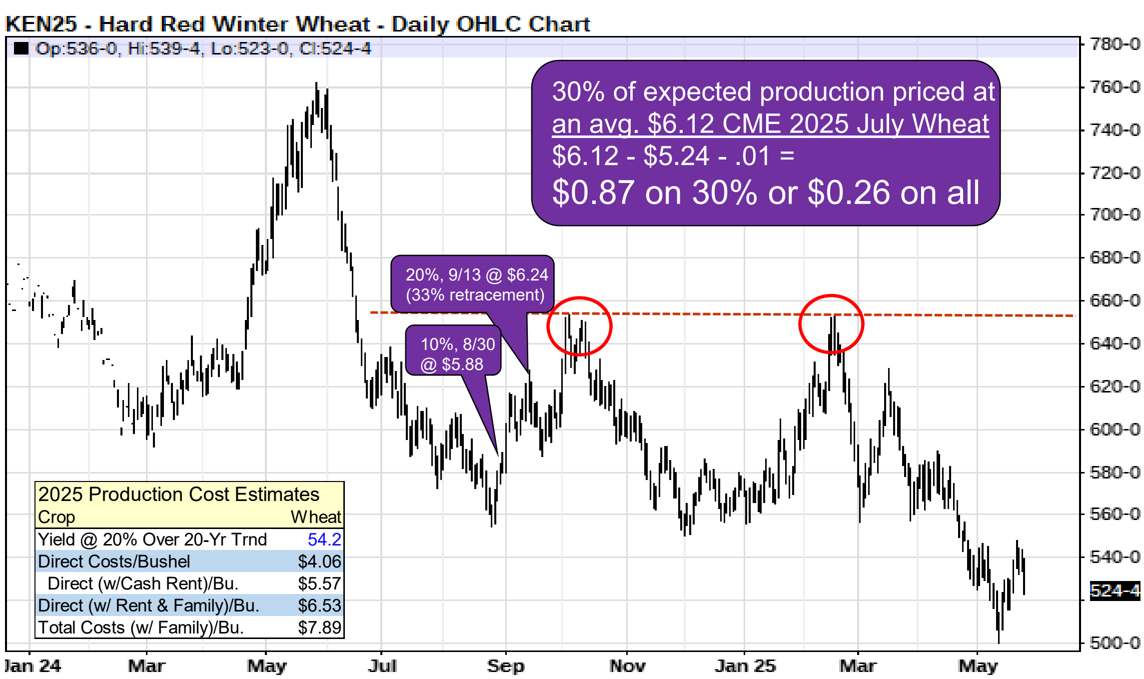
Specifically, we'll examine two situations

- Postharvest: After the physical commodity is sold, **buying** a Call option to profit from any postharvest rallies.
- Preharvest: **Buying** a PUT option to provide a price floor. Note: Delivery is not required which is good if:
  a) Production is uncertain (i.e., drought) or
  b) Basis is currently weak. Buying a put allows us to set price and then later deliver and set basis (basis = cash price – futures)

We'll also examine selling call options to lower the cost of the purchased calls and puts and lastly, comparing this to several other marketing alternatives.

2025 Preharvest Wheat Plan Implementation

Plan start: Oct 1
JUL CME wheat @ $6.29 ¾



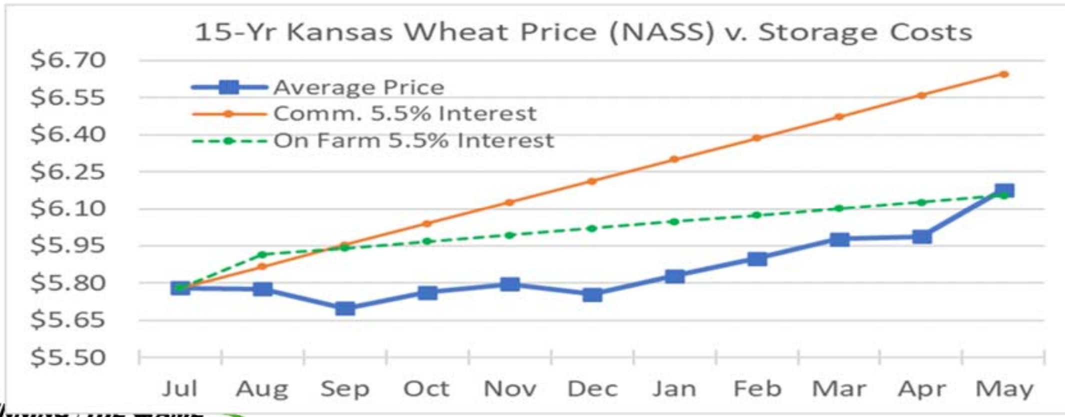
2025 Production Cost Estimates	
Crop	Wheat
Yield @ 20% Over 20-Yr Trnd	54.2
Direct Costs/Bushel	$4.06
Direct (w/Cash Rent)/Bu.	$5.57
Direct (w/ Rent & Family)/Bu.	$6.53
Total Costs (w/ Family)/Bu.	$7.89

Postharvest Marketing Decisions

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

Alternatives

1. Store Unhedged (possibly what many folks consider)
   - Cash grain prices MUST rise enough to cover storage costs and risk.
   - To mid February: ~$0.29/bu. On farm and ~$0.60/bu. Commercial
2.
3.



An early look at 2025 Postharvest Wheat

Wheat Futures "Carry" Over Time				
	3/1	4/1	5/1	5/27
JUL	$5.760	$5.768	$5.275	$5.245
SEP	$0.076	$0.071	$0.072	$0.075
DEC	$0.070	$0.076	$0.079	$0.077
MAR	$0.053	$0.063	$0.064	$0.065
	$0.52	*$0.56*	*$0.57*	*$0.58*

Positive futures carry, but . . . .
Starting with weak nearby basis.

IF basis trends back to "average" levels, then expected basis appreciation appears to be potentially significant, offering a return to storage. While this is something to continue to monitor, we suggest you carefully assess any decision to store as you approach harvest. Noting that basis may well not return to average this crop year.

Examining the Potential for Wheat Storage on	5/27/2025							
Commercial Storage Costs Begin August 1st		Deferred Basis	2/21/2026 3-Yr. Avg. Basis	Expected Basis Appreciation	**Comm.** Storage Costs	Expected Storage Hedge Returns	**On Farm** Storage Costs	Expected Storage Hedge Returns
MAR Wheat Futures	**$5.82**							
Colby - Cornerstone Ag	**$4.55**	($1.27)	($0.45)	$0.82	$0.59	$0.22	$0.28	$0.54
Dodge City - Pride Ag	**$4.60**	($1.22)	($0.34)	$0.88	$0.59	$0.28	$0.28	$0.59
Concordia Coop - East	**$4.85**	($0.97)	($0.30)	$0.67	$0.60	$0.06	$0.29	$0.37
Haven - Producer Ag, MKC	**$4.81**	($1.01)	($0.35)	$0.66	$0.60	$0.05	$0.29	$0.36
Topeka - Cargill	**$5.15**	($0.68)	($0.16)	$0.52	$0.61	($0.11)	$0.31	$0.20
Chanute - Beachner	**$4.67**	($1.16)	($0.39)	$0.77	$0.59	$0.16	$0.28	$0.47
Six City Average	$4.77	($1.05)	($0.33)	$0.72	$0.60	$0.11	$0.29	$0.42

Commercial Storage @ 7% Interest and $0.06/bu./mo. storage charge; On Farm @ 7% Interest + 1% Shrink & $0.05 In/Out Charge

WTG Marketing Plans and Decision Outlines are not advice, but benchmarks for comparison.

Postharvest Marketing Decisions

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

Alternatives

1. Store Unhedged (possibly what many folks consider)
2. Store & Hedge, (store the crop & sell futures or buy a put option)
3. Sell the crop at harvest and move on (What a lot folks do)
4. Minimum Price Contract (Sell the crop & buy a call option; essentially avoiding storage cost/risk and "re-owning" on the board)
5. "Call Option Spread" (Sell the crop, buy a call & sell an OTM call; the same as the minimum price contract, but selling a call option to lower the price of the purchased call)

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Postharvest Pricing

Sell the Crop but Retain Upside Price Potential

- ❑ Buy a Call Option (the right to a buy position in futures)
- ❑ Call Option Spread (buying a call option and simultaneously selling a more out-of-the-money call(s))

- Each avoids physical storage, provides a net minimum price yet retains a degree of upside potential. The "spread" offers limited upside.
- Call options gain in value as the futures prices rises, with the owner/buyer gaining and the seller losing.
- Selling an option carries as much futures risk as owning futures, and requires a sound exit strategy.

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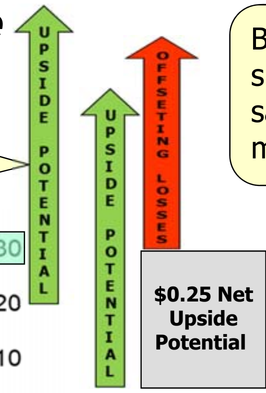
Call Option Spread Example

First: Buy a $4.90 Call for $0.30. Net gains begin after futures reach $5.20. ($4.90 call strike + $0.30 premium)



Both call options should be for the same contract month and year.

Next: Sell a $5.30 Call for $0.15. Net gains from the $4.90 Call, now begin at $5.05, but beyond $5.30 futures, losses from this position offset gains from the $4.90 Call.

Note: If futures decline, both Calls will expire worthless (netting a **$0.15**), and with little time value.

This is NOT a marketing recommendation or advice! ONLY work with tools you're comfortable with, and a broker you trust.

2025 Wheat	Postharvest Alternatives					2/17/26	
8/1/2025 Storage Costs Begin to Accumulate	**(A)** Sell the Grain	**(B)** Sell Grain, Buy a Call Option	**(C)** Sell Grain Buy a Call, Sell a Call	**(D)** Sell Grain Buy a Call, Sell 2 Calls	($1.01) Current Defered Basis	**6.5** Months of Storage	**(E)** Storage Hedge & Storage Costs
Local Cash Price	**$4.81**	$4.81	$4.81	$4.81	March Futures		**$5.82**
Buy an Option	**March**	=> Call	Call	Call	Expected Basis		**($0.350)**
A-T-M Strike		**$5.80**	$5.80	$5.80	Interest	**7.0%**	($0.182)
Option Premium		**($0.47)**	($0.47)	($0.47)	Mo. Chrg.	**$0.000**	$0.000
Sell an Option		March	=> Call	=> Call	or 1 time: 1% Shrink		**($0.098)**
O-T-M Strike			**$6.60**	$6.60	and $0.05 In-Out		
Option Premium			**$0.23**	$0.47	Storage to date **$0.00**		
Minimum Price	**$4.81**	**$4.33**	**$4.55**	**$4.77**	Expected Price		**$5.18**
Futures Price to BE w/ (A)		**$6.28**	**$6.06**	**$5.84**	Expected Profit		**$0.37**

The $0.47 premium, $2,350 per 5,000 contract is pricey.

Putting on a call spread (also selling a call) helps offset the purchased call & raises the min.

Doubling up on the number of calls sold, increases the minimum price but does bring on added risk.

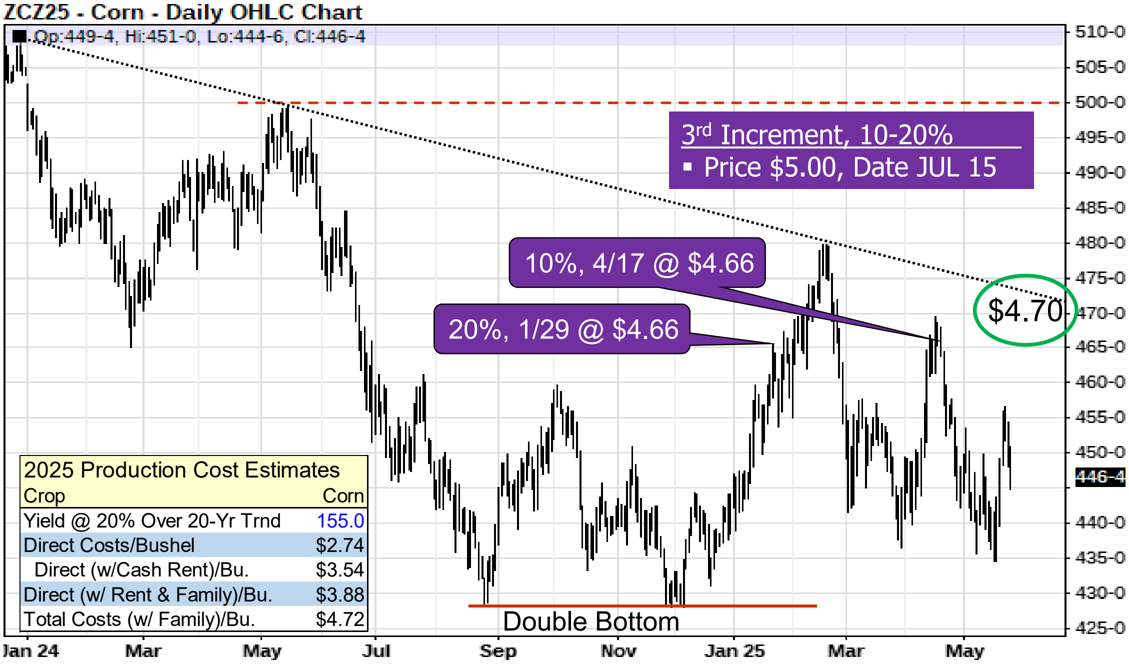
On-farm storage & and hedge, could be make a profit, but relies on a narrowing basis in a volatile year.

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

2025 Preharvest Corn Plan Implementation

Plan start: Jan 1
DEC CME corn @ $4.46 ½

Currently 30% priced @ $4.66



2025 Production Cost Estimates	
Crop	Corn
Yield @ 20% Over 20-Yr Trnd	155.0
Direct Costs/Bushel	$2.74
Direct (w/Cash Rent)/Bu.	$3.54
Direct (w/ Rent & Family)/Bu.	$3.88
Total Costs (w/ Family)/Bu.	$4.72

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2025 Preharvest Corn Plan Implementation

Plan start: Jan 1
DEC CME corn @ $4.46 ½

Currently 30% priced @ $4.66

Examining New Crop Corn Bids	5/27/2025				
Forward Cash Contracts & "Price Target" conversions		Actual New Crop Basis	$5.00 Fut. Target Equivalent Forw. Contr.	10/15/2025 5-Yr. Avg. New Crop Basis	Current Basis Vs. 5-Yr Avg.
DEC Corn Futures	$4.465				
Colby - Cornerstone Ag	$4.12	($0.35)	$4.66	$0.21	($0.56)
Garden City Coop	$4.52	$0.05	$5.06	($0.00)	$0.06
Concordia East - Ag Mark	$4.07	($0.40)	$4.61	($0.11)	($0.28)
Haven - Producer Ag, MKC	$4.28	($0.19)	$4.82	$0.08	($0.27)
Topeka - Gordon, Cargill	$4.07	($0.40)	$4.60	($0.13)	($0.27)
Chanute - Beachner	$4.11	($0.36)	$4.64	($0.06)	($0.30)
Six Location Average	$4.19	($0.27)	$4.73	($0.00)	($0.27)

It's very important to know your costs of production

Both the average FC bid [$4.19] and our first "futures" price target of $4.70 cover direct costs, cash rent, & family living. A $5.00 target would also cover fixed costs.

New crop basis bids are $0.27/bu. weaker than avg.

2025 Production Cost Estimates	
Crop	Corn
Yield @ 20% Over 20-Yr Trnd	155.0
Direct Costs/Bushel	$2.74
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Total Costs (w/ Family)/Bu.	$4.72

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Preharvest Pricing

Fixed Price Alternatives

- ❑ Forward Cash Contracts (work with a local buyer)
- ❑ Short Futures Hedges (work with a broker, sell futures)
- ❑ Hedge-to-Arrive Contracts (work with a local buyer)

- Each of these essentially "set" a fixed price.
- So, we need to be satisfied with today's price. Is it a seasonal high? Does it adequately cover costs? Does it fit in your marketing plan?
- Note, forward cash and hedge-to-arrive contracts both require delivery.

Preharvest Pricing

Set a Price but Retain Upside Price Potential

- ❑ Buy a Put Option (work with a broker)
- ❑ Minimum Price Contract (work with a local buyer)
- ❑ Minimum Price Contract - DIY (selling futures OR forward cash contracting, AND buying a call option)

- Each provides a minimum price less than what the "Fixed Price" alternatives offer.
- Each involve commodity options, allowing you to take advantage of any potential price rallies.
- Note, if working with a local buy, delivery will likely be required. If not, you'll have more flexibility with deliver.

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Preharvest Pricing

Option "Collars"

- This strategy involves buying a put AND selling an OTM call option (partially offsetting the cost of the put)

- Does not lock you into delivery.
- Provides a higher floor than the alternatives that retain upside price potential, such as buying a put, or a minimum price contract (by the amount of the call).
- Also establishes a ceiling (at the call strike price). Thus, if prices move above the call strike, you will suffer losses in your brokerage account. But they should largely be offset by increases in crop price.

https://www.cmegroup.com/education/courses/option-strategies/collars.html

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Central Kansas Corn Example

PREHARVEST	FIXED PRICE ALTs		RETAIN UPSIDE		Option "Collars"	
Marketing Alternatives DEC-25 Corn	Forward Cash Contract (FCC)	Sell Futures (Short Hedge)	Buy a Put Option	Forward Contract & Buy a Call Opt.	Buy the Put & Sell a Call Option	Buy the Put & Sell a Call Option
Futures** Price	$4.47	$4.465				
Expected Basis	($0.19)	**($0.10)**	($0.10)			
Expected Price	$4.28	$4.36				
Option Strike			**$4.50**	**$4.40**	**$4.90**	**$5.10**
Option Premium			**($0.31)**	**($0.32)**	**$0.16**	**$0.12**
Minimum Price	**$4.28**	**$4.36**	**$4.08**	**$3.95**	**$4.22**	**$4.18**
Maximum Price	**$4.28**	**$4.36**	**???**	**???**	**$4.62**	**$4.78**
Estimated Option Costs per Contract			**($1,560)**	**($1,585)**	**($785)**	**($980)**
	Locks a price covering direct, family living and cash rent. Must deliver.	Better if basis is average. No delivery.	Low minimum price but with upside potential		Higher minimum but with a cap on price gains	

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KANSAS FARM BUREAU
The Voice of Agriculture

Thank you so much!

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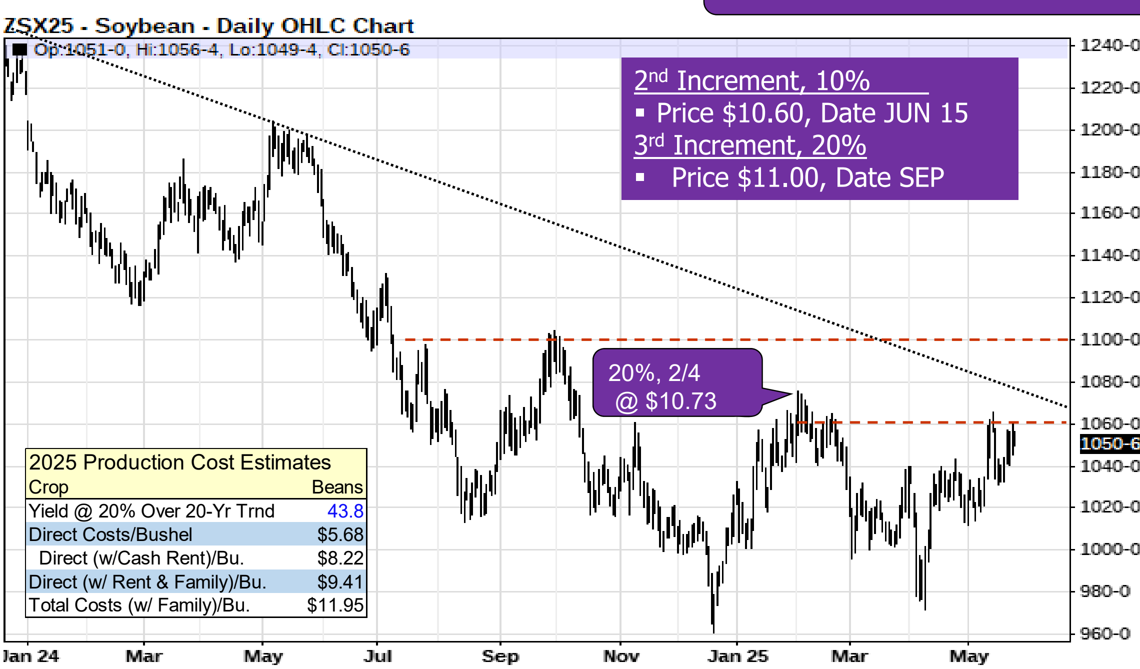
2025 Preharvest Bean Plan Implementation

Plan start: Jan 1
NOV CME soybeans @ $10.28

Currently 20% priced @ $10.73



2025 Production Cost Estimates	
Crop	Beans
Yield @ 20% Over 20-Yr Trnd	43.8
Direct Costs/Bushel	$5.68
Direct (w/Cash Rent)/Bu.	$8.22
Direct (w/ Rent & Family)/Bu.	$9.41
Total Costs (w/ Family)/Bu.	$11.95

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2025 Preharvest Bean Plan Implementation

Plan start: Jan 1
NOV CME soybeans @ $10.28

Currently 20% priced @ $10.73

Examining New Crop Bean Bids 4/25/2025					
Forward Cash Contracts & "Price Target" conversions		Actual New Crop Basis	$10.60 Fut. Target Equivalent Forw. Contr.	10/25/2025 5-Yr. Avg. New Crop Basis	Current Basis Vs. 5-Yr Avg.
NOV Soybean Futures	$10.508				
Colby - Cornerstone Ag	$9.26	($1.25)	$9.35	($1.05)	($0.20)
Garden City Coop	$9.51	($1.00)	$9.60	$0.99	($1.99)
Concordia East - Ag Mark	$9.76	($0.75)	$9.85	($0.71)	($0.04)
Haven - Producer Ag, MKC	$9.84	($0.67)	$9.93	($0.56)	($0.11)
Topeka - Gordon, Cargill	$9.91	($0.60)	$10.00	($0.45)	($0.15)
Chanute - Beachner	$9.91	($0.60)	$10.00	($0.47)	($0.13)
Six Location Average	$9.70	($0.81)	$9.79	($0.37)	($0.44)

It's very important to know your costs of production

Both the average FC bid [$9.70] and our first "futures" price target cover direct costs, cash rent, & family living, but not fixed costs.

New crop basis bids are $0.44/bu. weaker than avg.

2025 Production Cost Estimates	
Crop	Beans
Yield @ 20% Over 20-Yr Trnd	43.8
Direct Costs/Bushel	$5.68
Direct (w/Cash Rent)/Bu.	$8.22
Direct (w/ Rent & Family)/Bu.	$9.41
Total Costs (w/ Family)/Bu.	$11.95

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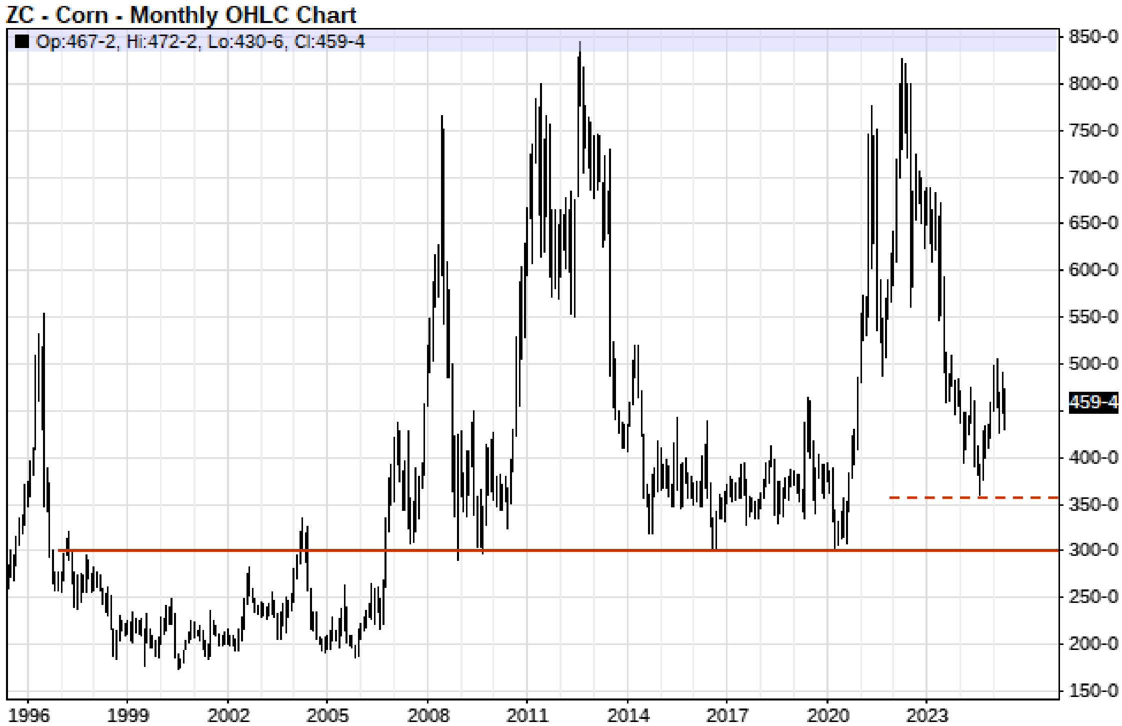
Central Kansas Soybean Example

PREHARVEST	FIXED PRICE ALTs		RETAIN UPSIDE		Option "Collars"	
Marketing Alternatives NOV-25 Beans	Forward Cash Contract (FCC)	Sell Futures (Short Hedge)	Buy a Put Option	Forward Contract & Buy a Call Opt.	Buy the Put & Sell a Call Option	Buy the Put & Sell a Call Option
Futures** Price	$10.51	**$10.508**				
Expected Basis	($0.67)	**($0.56)**	($0.56)			
Expected Price	$9.84	$9.94				
Option Strike			**$10.60**	**$10.40**	**$10.80**	**$11.00**
Option Premium			**($0.54)**	**($0.54)**	**$0.38**	**$0.32**
Minimum Price	**$9.84**	**$9.94**	**$9.49**	**$9.29**	**$9.85**	**$9.79**
Maximum Price	**$9.84**	**$9.94**	**???**	**???**	**$10.05**	**$10.19**
Estimated Option Costs per Contract			**($2,715)**	**($2,700)**	**($835)**	**($1,140)**

Low minimum price but with upside potential

Higher minimum but with a cap on price gains

How Low Can Corn Futures Go?



How Low Can HRW Wheat Futures Go?

How Low Can Soybean Futures Go?

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