

Grain Marketing Strategies for 2018

Examining 2018 Grain Sales Strategies

Home, Kansas – February 14, 2018

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Corn Markets



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CME Corn Futures



Weekly Chart: December 2008 – January 2018 + 2/13/2018



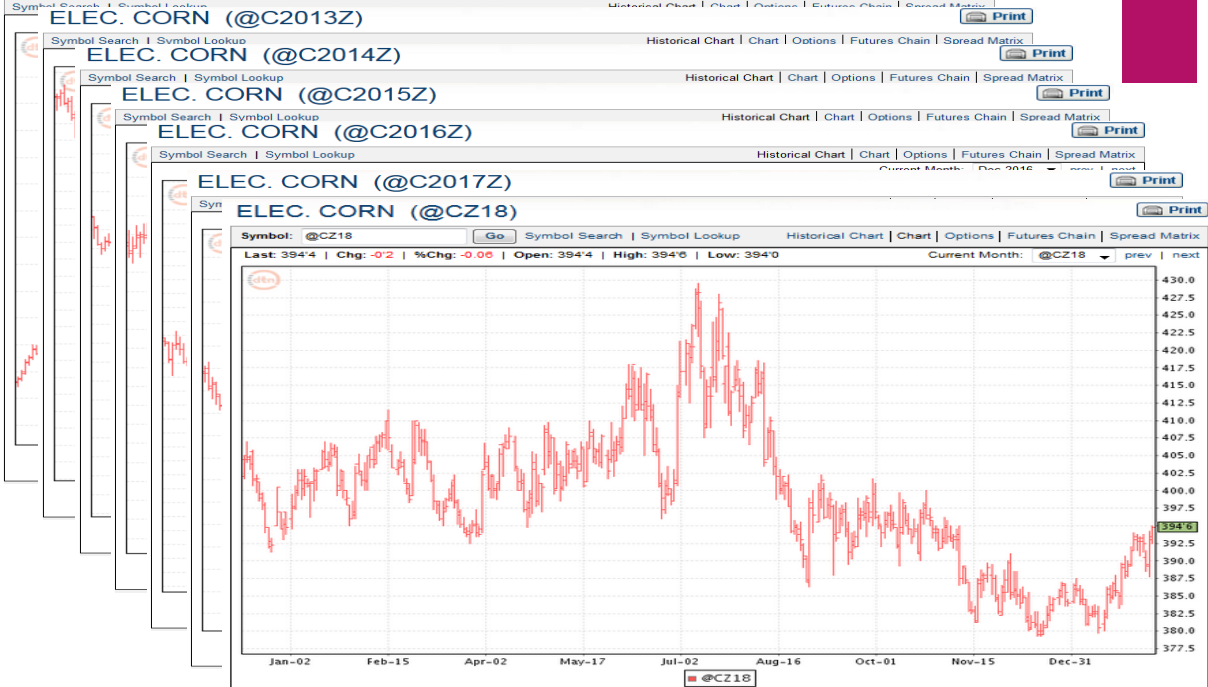
Probability of Corn Futures Trends

Examining 1990-2017 (Last 28 years)

► Likelihood of Level-Higher DEC Corn Futures??

- Trends through Spring-Summer (June-July)?
 - ⇒ Spring-Summer Price ↑ occurred 28/28 Years (100%)
- Which direction did prices move by Fall (Nov-Dec)??
 - ⇒ Price moving sideways / higher = 9/28 Years (32%)
 - ⇒ Price moving lower = 19/28 Years (68%)

ELEC. CORN (@C2012Z)



ELEC. CORN (Jul 2018) [10 Minute Delay]

Refresh ↻

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
380'6	-12	-0.33	382'0	382'0	380'2	382'0	57507	CBOT	02/13/18 22:12

Symbol: @CN18 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2018 | May 2018 | Jul 2018 | Sep 2018 | Dec 2018 | Mar 2019 | May 2019 | Jul 2019 | Dec 2019 | Jul 2020 Jul 2018

Jul 2018 Options

Days Until Expiration: 129

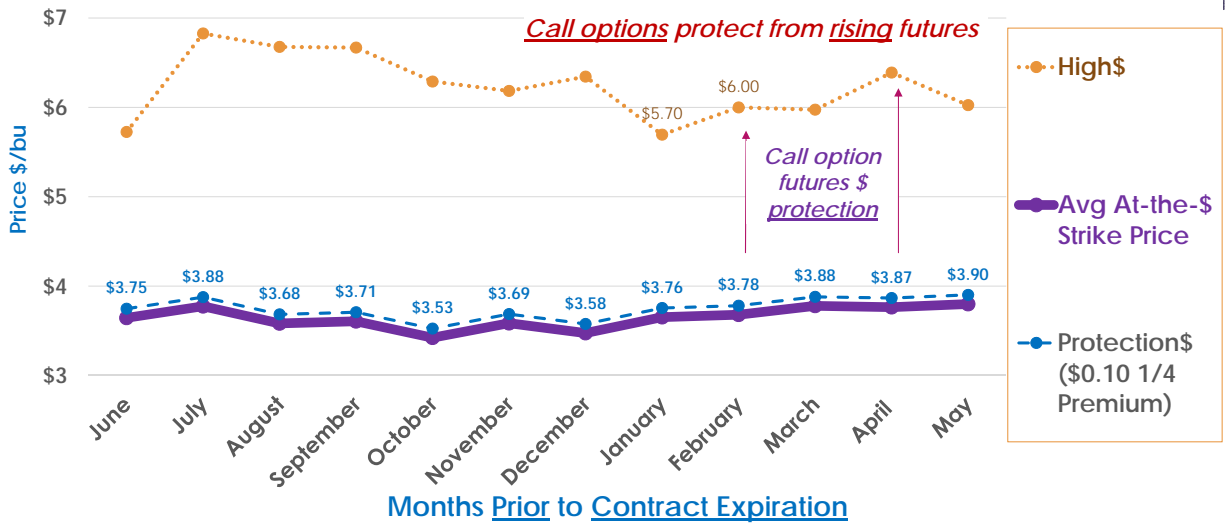
Calls								Puts								
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike	Symbol	Price	Chg	Open	High	Low	Volume	Open Int
<input checked="" type="checkbox"/> @CN18C3300	52'0	-0'4	52'0	52'0	52'0	2	250	3300	<input checked="" type="checkbox"/> @CN18P3300	0'6s	0'1	---	---	---	40	6491
<input checked="" type="checkbox"/> @CN18C3400	43'2s	-0'3	43'5	43'5	43'5	105	175	3400	<input checked="" type="checkbox"/> @CN18P3400	1'3s	0'1	---	---	---	108	5535
<input checked="" type="checkbox"/> @CN18C3500	34'5s	-0'3	---	---	---	0	671	3500	<input checked="" type="checkbox"/> @CN18P3500	2'6s	0'1	2'4	2'6	2'4	419	11235
<input checked="" type="checkbox"/> @CN18C3600	27'2s	-0'2	28'2	28'2	28'2	9	5855	3600	<input checked="" type="checkbox"/> @CN18P3600	5'3s	0'2	5'1	5'4	5'1	112	13205
<input checked="" type="checkbox"/> @CN18C3700	21'4s	-0'1	21'3	22'3	21'3	681	16932	3700	<input checked="" type="checkbox"/> @CN18P3700	9'6	0'2	9'6	9'6	9'6	309	14460
<input checked="" type="checkbox"/> @CN18C3800	16'5	-0'3	16'5	16'5	16'5	717	25722	3800	<input checked="" type="checkbox"/> @CN18P3800	15'0s	0'4	14'4	15'1	14'2	816	10573
<input checked="" type="checkbox"/> @CN18C3900	13'0	-0'3	13'2	13'2	13'0	2833	10996	3900	<input checked="" type="checkbox"/> @CN18P3900	21'3s	0'4	21'0	21'0	20'6	858	4124
<input checked="" type="checkbox"/> @CN18C4000	10'0	-0'4	10'4	10'4	10'0	2742	22726	4000	<input checked="" type="checkbox"/> @CN18P4000	28'3s	0'4	27'7	27'7	27'7	15	2738
<input checked="" type="checkbox"/> @CN18C4100	8'2s	0'0	8'1	8'6	8'1	119	9257	4100	<input checked="" type="checkbox"/> @CN18P4100	36'1s	0'4	35'3	35'3	35'3	10	1685
<input checked="" type="checkbox"/> @CN18C4200	6'4s	0'0	6'6	7'0	6'4	603	11571	4200	<input checked="" type="checkbox"/> @CN18P4200	44'3s	0'4	---	---	---	0	844
<input checked="" type="checkbox"/> @CN18C4300	5'2s	0'1	5'0	5'4	5'0	176	7683	4300	<input checked="" type="checkbox"/> @CN18P4300	53'0s	0'4	---	---	---	0	238

In the money At the money

Quotes generated on: Tue, Feb 13, 2018 10:35 PM CST

MAY Corn Futures & Call Option Payouts

Monthly: MY 2006/07 - 2015/16 (adjusted #s)



ELEC. CORN (Dec 2018) [10 Minute Delay]

Refresh

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
394'4	-1'4	-0.38	396'0	396'0	394'4	396'0	31209	CBOT	02/13/18 21:02

Symbol: @CZ18 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2018 | May 2018 | Jul 2018 | Sep 2018 | Dec 2018 | Mar 2019 | May 2019 | Jul 2019 | Dec 2019 | Jul 2020 Dec 2018

Dec 2018 Options

Days Until Expiration: 283

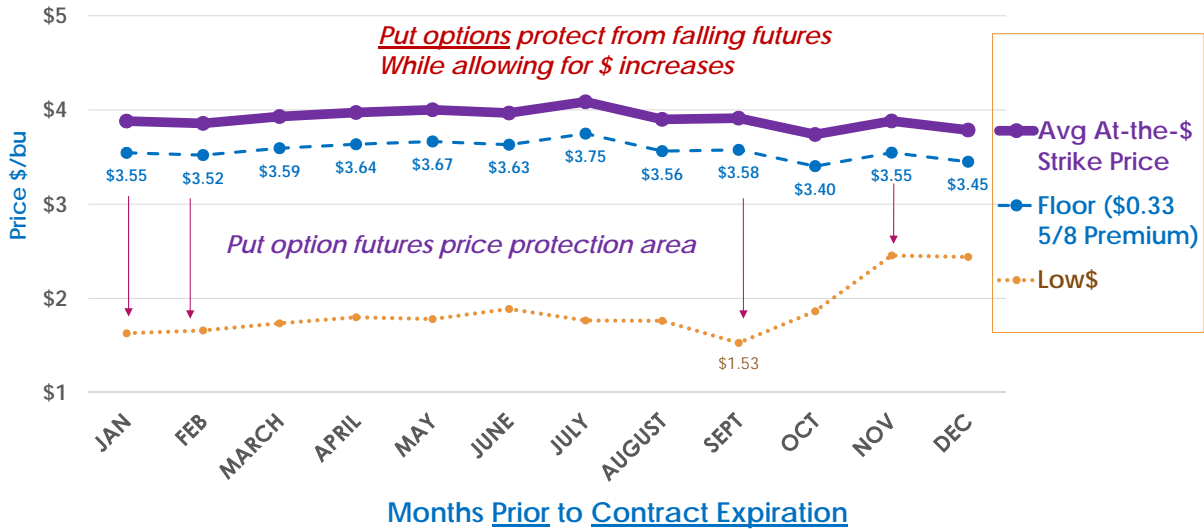
Calls									Puts							
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike	Symbol	Price	Chg	Open	High	Low	Volume	Open Int
@CZ18C3400	58'7s	-0'6	---	---	---	0	9	3400	@CZ18P3400	3'3s	0'2	---	---	---	510	6415
@CZ18C3500	50'7s	-0'6	---	---	---	0	886	3500	@CZ18P3500	5'3s	0'3	5'0	5'2	5'0	16	14769
@CZ18C3600	43'7s	-0'4	---	---	---	0	413	3600	@CZ18P3600	8'1	-0'1	8'0	8'1	8'0	506	16472
@CZ18C3700	37'6s	-0'3	38'0	38'0	38'0	2	1615	3700	@CZ18P3700	12'0s	0'5	11'4	11'4	11'2	558	10779
@CZ18C3800	32'4s	-0'3	---	---	---	0	3180	3800	@CZ18P3800	16'6	0'1	16'6	16'6	16'6	327	8608
@CZ18C3900	28'0s	-0'3	28'4	28'4	28'2	67	8499	3900	@CZ18P3900	22'0s	0'4	21'7	22'0	21'4	163	10300
@CZ18C4000	24'1s	-0'3	23'7	25'0	23'7	308	20820	4000	@CZ18P4000	28'1s	0'5	27'4	28'1	27'2	171	6327
@CZ18C4100	20'4	-0'2	20'4	20'4	20'4	67	6815	4100	@CZ18P4100	34'5s	0'5	---	---	---	0	3551
@CZ18C4200	17'3	-0'4	17'3	17'3	17'3	114	16497	4200	@CZ18P4200	41'6s	0'6	---	---	---	0	1076
@CZ18C4300	15'4s	-0'2	16'0	16'0	15'4	117	10900	4300	@CZ18P4300	49'1s	0'6	---	---	---	0	1621
@CZ18C4400	13'4s	-0'1	13'4	14'0	13'4	107	8183	4400	@CZ18P4400	57'0s	0'6	---	---	---	0	5

In the money At the money

Quotes generated on: Tue, Feb 13, 2018 10:37 PM CST

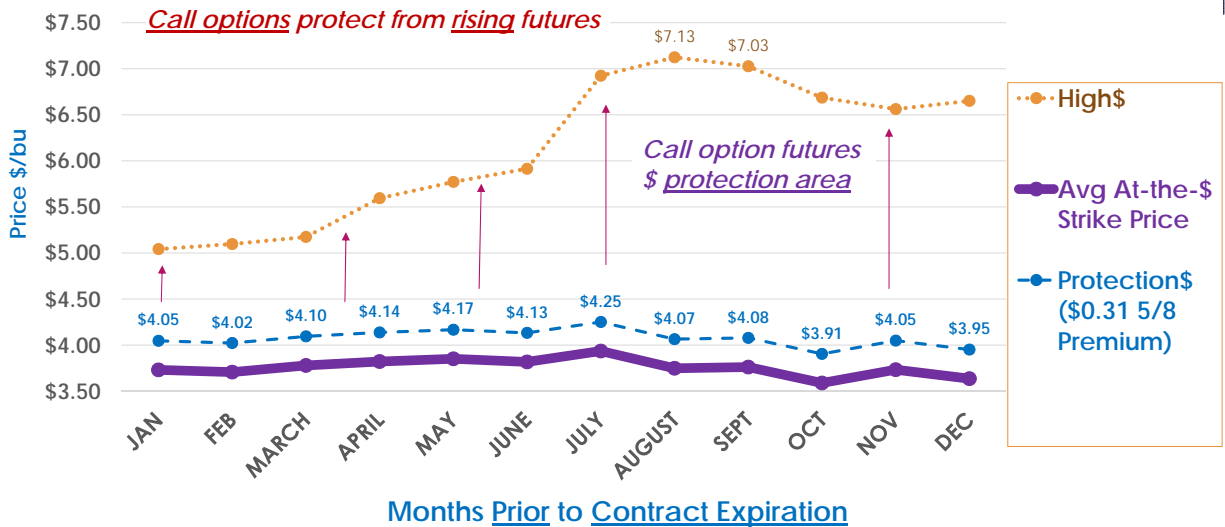
DEC Corn Futures & Put Options Payouts

Monthly: MY 2006/07 - 2015/16 (adjusted #s)



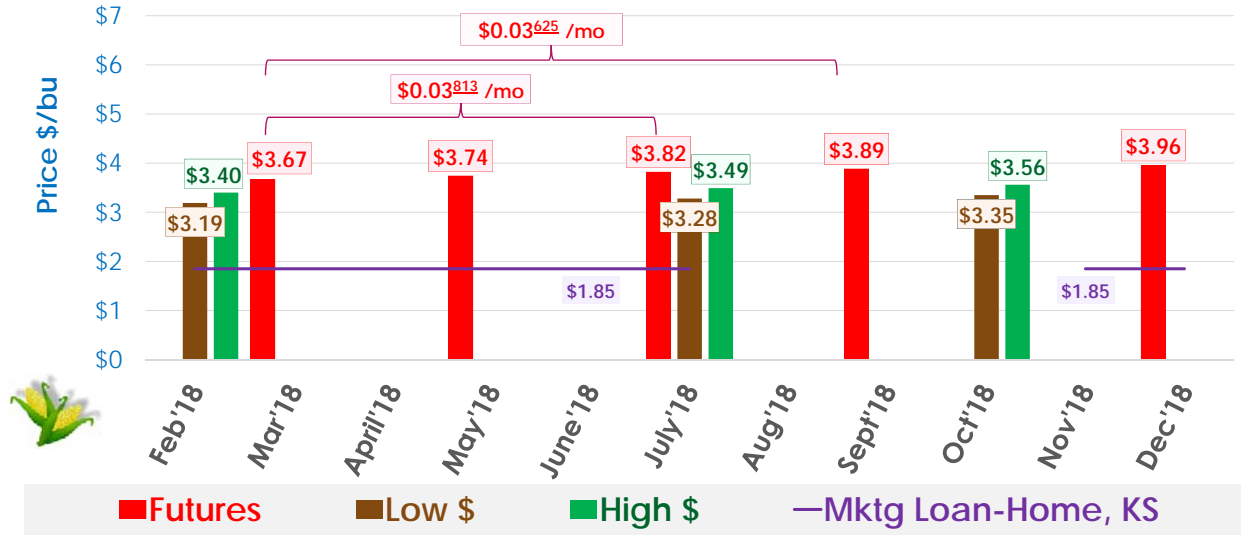
DEC Corn Futures & Call Options Payouts

Monthly: MY 2006/07 - 2015/16



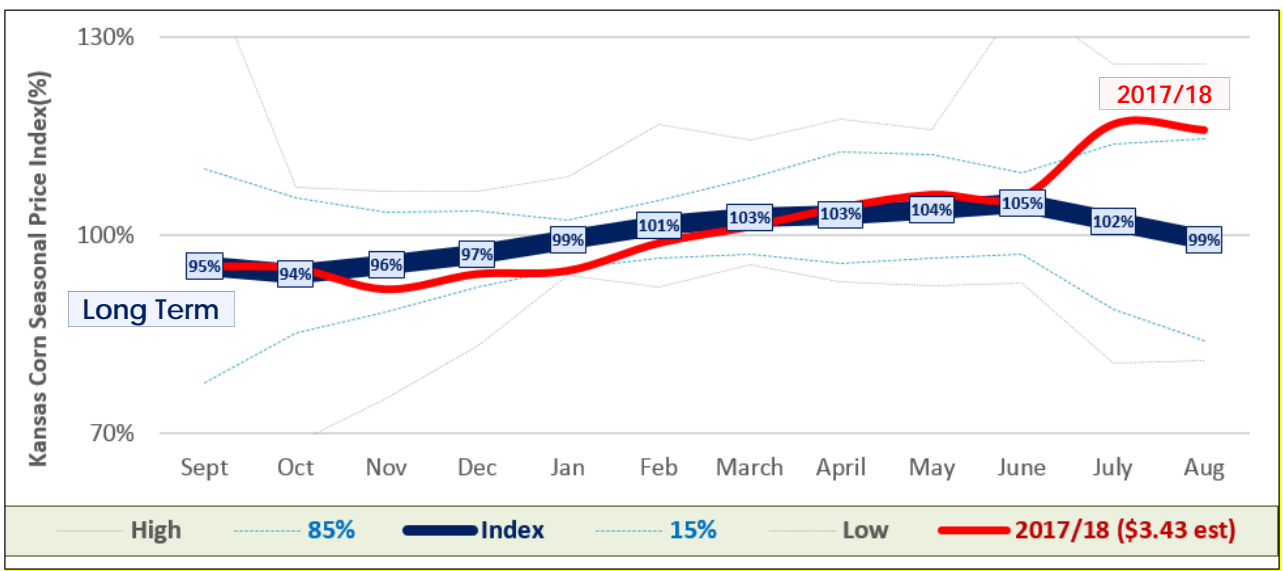
Corn Cash & Futures Prices (\$/bu)

Home, KS Local Elevators – February 13, 2018



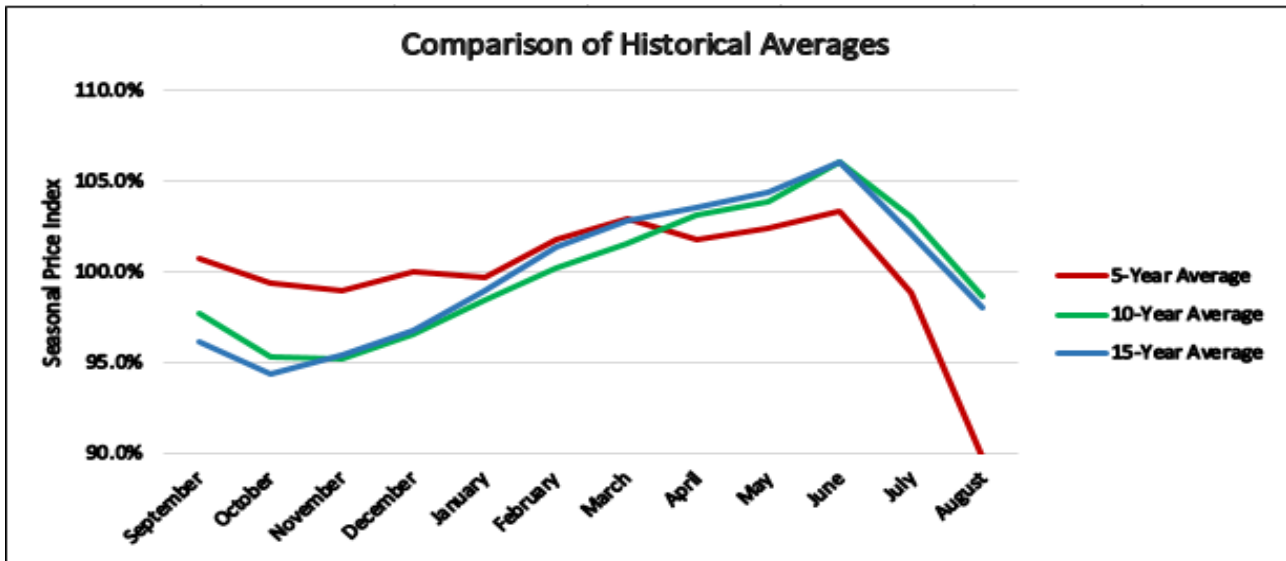
Kansas Corn Seasonal Cash \$ Index

Monthly: Long Term Average & "New Crop" MY 2017/18 Forecast



Kansas Corn Cash Prices

5, 10 & 15 Year Averages



What “Old Crop” Corn Marketing Strategies are Likely to Work Best in 2018?

► For “Old Crop” 2017 Feedgrains

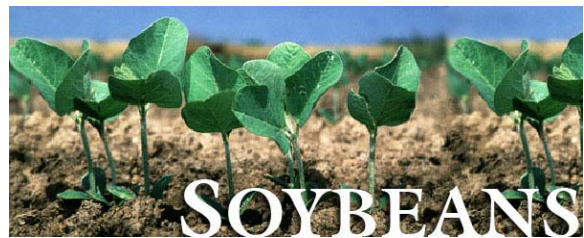
- **On-Farm Storage** ⇒ Yes, but not until spring-summer 2018
- **Off-Farm Storage** ⇒ Maybe, but will need larger 2018 rallies
- **Storage Hedge / Fwd Contract** ⇒ Maybe ⇒ futures have “carry”!
- **Buy Puts or Marketing Loan** ⇒ No Mktg Loans (Watch ↓ put costs)
- **Sell Cash & Buy Call Options** ⇒ Watch narrower Basis (Yes post sales*)

What “New Crop” Corn Marketing Strategies are Likely to Work Best in 2018?

► For “New Crop” 2018 Feedgrains

- **Futures Hedge (HTA)** ⇒ Yes, but not until spring-summer 2017
- **Forward Contract** ⇒ Maybe, but watch for better basis bids
- **Buy Puts** ⇒ Maybe @ spring/summer rallies
- **Marketing Loans** ⇒ Be aware of Mktg Loan\$ vs Net Put\$
- **Fwrd Contract + Buy Calls** ⇒ No if wide Basis (+ rally protection)

Soybean Markets



KANSAS STATE
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Department of Agricultural Economics

CME Soybean Futures



Monthly Chart: November 2008 – December 2017 + January 2, 2018



Probability of Soybean Futures Trends

Examining 1990-2016 (Last 27 years)

► Likelihood of Level-Higher NOV Soybean Futures??

○ Trend through Spring-Summer (May-August)??

⇒ Spring-Summer Price ↑ occurred 23/27 Years (85%)

○ Which direction did prices move by Fall (Oct-Nov)??

⇒ Price moving sideways / higher = 12/28 Years (43%)

⇒ Price moving lower = 16/28 Years (57%)

ELEC. SOYBEANS (@S2012X)

ELEC. SOYBEANS (@S2013X)

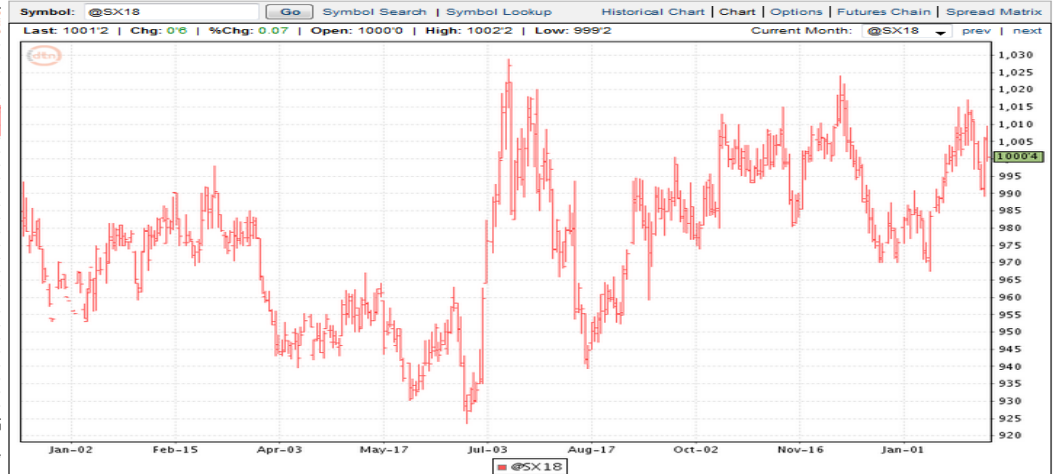
ELEC. SOYBEANS (@S2014X)

ELEC. SOYBEANS (@S2015X)

ELEC. SOYBEANS (@S2016X)

ELEC. SOYBEANS (@S2017X)

ELEC. SOYBEANS (@SX18)



ELEC. SOYBEANS (Jul 2018) [10 Minute Delay]

Refresh

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
1028.4	-3.4	-0.34	1032.0	1032.0	1026.2	1032.0	71402	CBOT	02/13/18 22:17

Symbol: @SN18 Go Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2018 | May 2018 | Jul 2018 | Aug 2018 | Sep 2018 | Nov 2018 | Jan 2019 | Mar 2019 | May 2019 | Nov 2019 Jul 2018

Jul 2018 Options

Days Until Expiration: 129

Calls										Puts							
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike		Symbol	Price	Chg	Open	High	Low	Volume	Open Int
@SN18C9200	114.6s	9.5	---	---	---	5	11	9200		@SN18P9200	3.2s	-0.2	3.1	3.4	3.1	109	2004
@SN18C9400	96.7s	9.2	---	---	---	0	150	9400		@SN18P9400	5.4	0.2	5.4	5.4	5.4	345	2388
@SN18C9600	80.3s	8.7	---	---	---	0	166	9600		@SN18P9600	8.2	-0.3	8.2	8.2	8.2	359	2827
@SN18C9800	65.4s	8.0	61.2	64.1	61.0	44	976	9800		@SN18P9800	14.7	1.1	14.7	14.7	14.7	880	3909
@SN18C10000	52.7s	7.0	50.6	53.1	50.6	540	3393	10000		@SN18P10000	21.0s	-2.7	23.6	23.6	21.6	273	3199
@SN18C10200	42.4s	6.1	36.7	42.3	36.7	486	2979	10200		@SN18P10200	30.5s	-3.6	32.4	33.1	30.3	655	1375
@SN18C10400	32.5	-1.5	32.5	32.5	32.5	2815	3971	10400		@SN18P10400	42.2s	-4.4	46.1	46.5	44.2	47	225
@SN18C10600	27.5s	4.5	25.0	28.2	25.0	196	2051	10600		@SN18P10600	55.4s	-5.3	60.6	60.6	56.5	11	40
@SN18C10800	22.3s	3.7	19.2	23.2	19.2	223	5213	10800		@SN18P10800	70.1s	-6.0	---	---	---	0	3
@SN18C11000	18.2s	3.3	14.4	19.1	14.3	499	5645	11000		@SN18P11000	85.7s	-6.5	---	---	---	0	5
@SN18C11200	14.7s	2.6	13.0	15.6	13.0	332	1329	11200		@SN18P11200	102.4s	-7.1	---	---	---	0	28

In the money At the money

Quotes generated on: Tue, Feb 13, 2018 10:43 PM CST

ELEC. SOYBEANS (Nov 2018) [10 Minute Delay]

Refresh ↻

Last	Change	%Chg	Open	High	Low	Previous	Volume	Exchange	Trade Time
10176	-14	-0.15	10180	10184	10162	10192	41535	CBOT	02/13/18 22:21

Symbol: @SX18 Symbol Search | Symbol Lookup Strike Range: Near-the-Money Chart | Options | Futures Chain

Mar 2018 | May 2018 | Jul 2018 | Aug 2018 | Sep 2018 | Nov 2018 | Jan 2019 | Mar 2019 | May 2019 | Nov 2019 Nov 2018 ▾

Nov 2018 Options

Days Until Expiration: 255

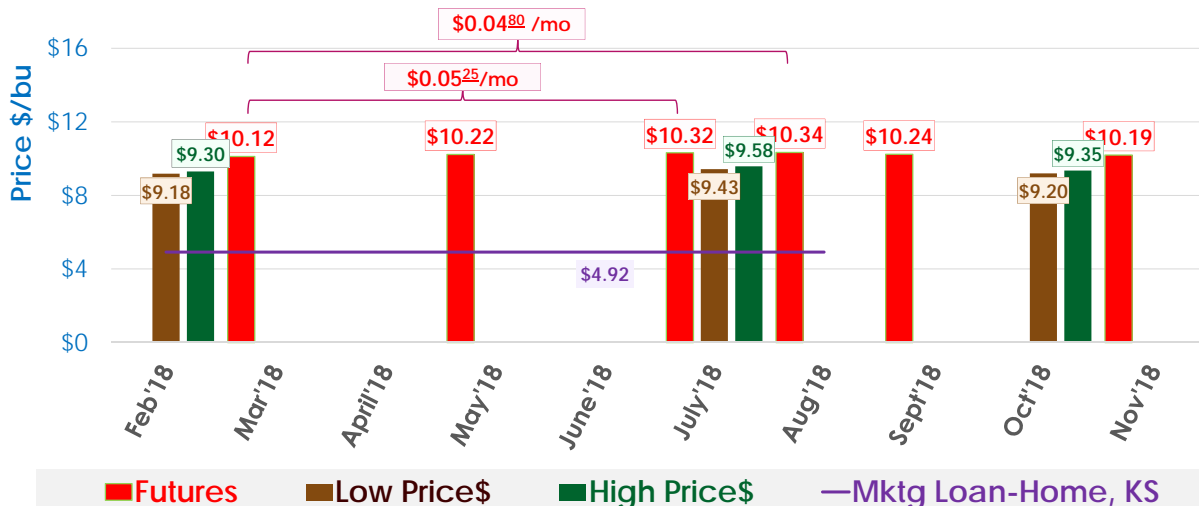
Calls									Puts							
Symbol	Price	Chg	Open	High	Low	Volume	Open Int	Strike	Symbol	Price	Chg	Open	High	Low	Volume	Open Int
<input type="checkbox"/> @SX18C9200	111'4s	43	---	---	---	5	23	9200	<input type="checkbox"/> @SX18P9200	13'1s	-05	13'0	13'7	13'0	63	2793
<input type="checkbox"/> @SX18C9400	97'2s	41	---	---	---	0	78	9400	<input type="checkbox"/> @SX18P9400	18'6	00	18'6	18'6	18'6	46	2606
<input type="checkbox"/> @SX18C9600	84'5s	41	---	---	---	0	389	9600	<input type="checkbox"/> @SX18P9600	25'7s	-07	27'0	27'1	25'7	61	1726
<input type="checkbox"/> @SX18C9800	73'3s	37	72'4	72'4	72'4	2	969	9800	<input type="checkbox"/> @SX18P9800	35'0	04	35'0	35'0	35'0	42	2163
<input type="checkbox"/> @SX18C10000	63'4s	33	62'5	64'4	61'2	349	6917	10000	<input type="checkbox"/> @SX18P10000	46'0	14	46'0	46'0	46'0	576	4665
<input type="checkbox"/> @SX18C10200	55'0s	31	51'0	55'0	51'0	147	2061	10200	<input type="checkbox"/> @SX18P10200	55'6s	-17	58'2	58'2	56'6	112	770
<input type="checkbox"/> @SX18C10400	47'5s	27	42'6	48'0	42'6	365	3316	10400	<input type="checkbox"/> @SX18P10400	68'1s	-21	---	---	---	75	620
<input type="checkbox"/> @SX18C10600	40'0	-11	39'4	40'0	39'4	138	3606	10600	<input type="checkbox"/> @SX18P10600	81'4s	-23	83'6	83'6	82'4	22	195
<input type="checkbox"/> @SX18C10800	35'5s	24	33'0	36'4	33'0	200	2280	10800	<input type="checkbox"/> @SX18P10800	95'7s	-23	---	---	---	0	34
<input type="checkbox"/> @SX18C11000	30'2	-05	30'2	30'2	30'2	682	9671	11000	<input type="checkbox"/> @SX18P11000	113'1	22	113'1	113'1	113'1	0	5
<input type="checkbox"/> @SX18C11200	26'6s	21	25'4	27'2	25'3	192	1811	11200	<input type="checkbox"/> @SX18P11200	126'5s	-27	---	---	---	0	2

In the money At the money

Quotes generated on: Tue, Feb 13, 2018 10:48 PM CST

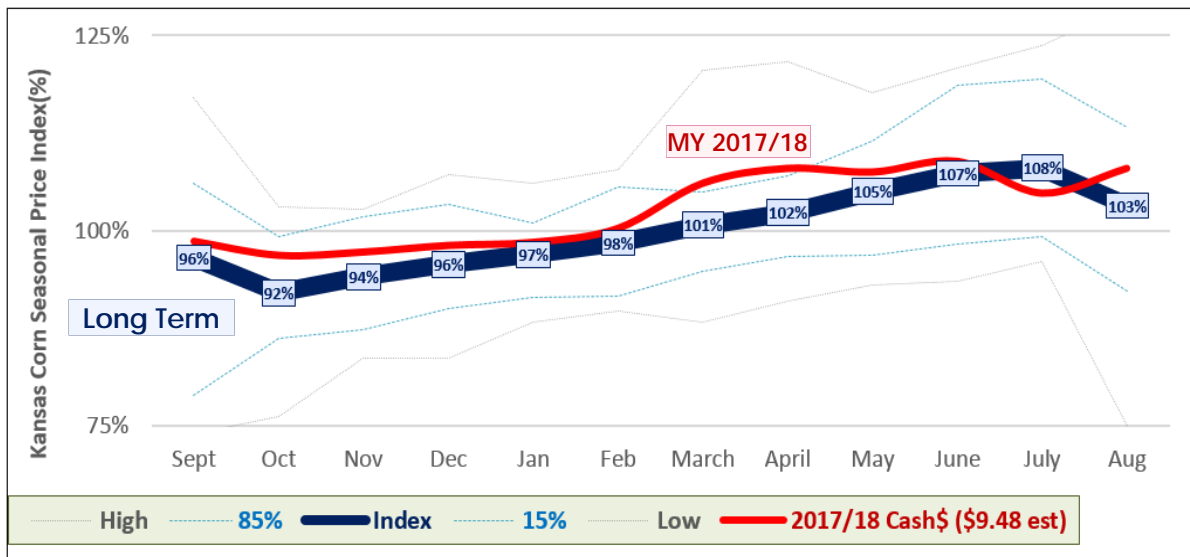
Soybean Cash & Futures Price\$'s

Home, KS Local Elevators - February 13, 2018



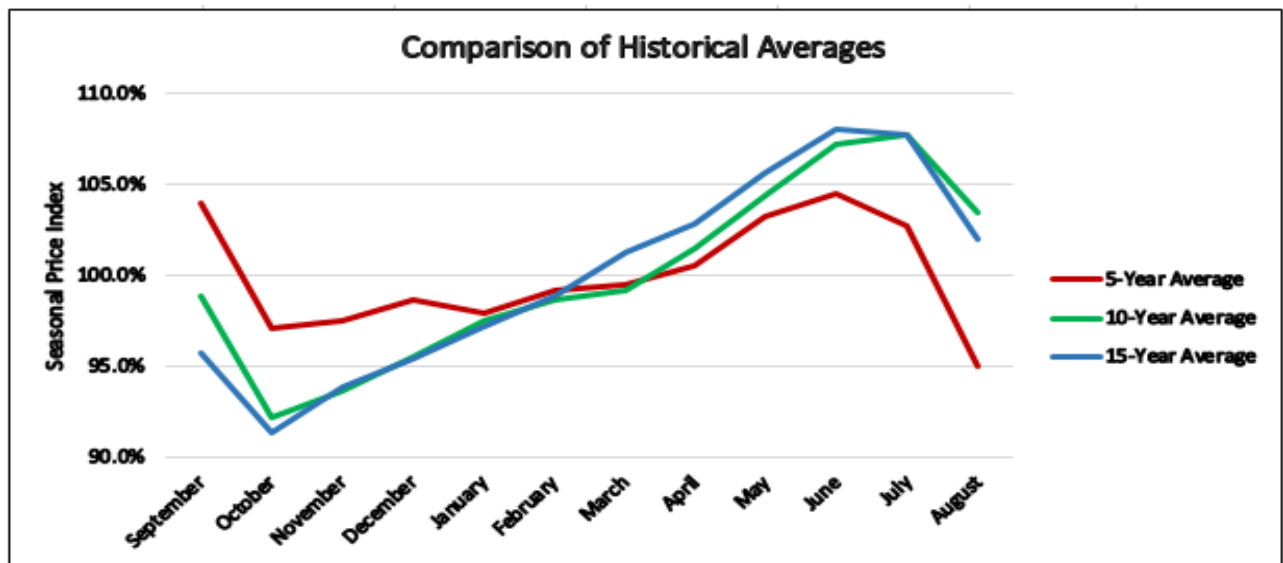
Kansas Soybean Seasonal Cash \$ Index

Monthly Prices: Long Term Average + "New Crop" MY 2017/18



Kansas Soybean Cash Prices

5, 10 & 15 Year Averages



What “Old Crop” Soybean Marketing Strategies are Likely to Work Best in 2018?

► For “Old Crop” 2017 Soybeans

- **On-Farm Storage** ⇒ Yes, but @ risk to ↑ 2018 So. America crop
- **Off-Farm Storage** ⇒ Ditto On-Farm storage but at higher costs
- **Storage Hedge / Fwd Contracts** ⇒ ≈?? – futures are “flat”!
- **Buy Puts or Marketing Loans** ⇒ Yes ⇒ Buy Puts (No ⇒ Mktg Loan)
- **Sell Cash & Buy Calls** ⇒ Use after cash sales “*IF*” mkt rallies

What “New Crop” Soybean Marketing Strategies are Likely to Work Best in 2018?

► For “New Crop” 2018 Soybeans

- **Futures Hedge** ⇒ ??? – How much risk of low fall 2018 \$’s?
- **Forward Contract** ⇒ Ditto, but watch for wide fall ‘18 basis bids
- **Buy Puts** ⇒ Yes – @ spring/summer rallies
- **Marketing Loans** ⇒ Extremely low Mktg Loan\$ vs Net Put\$
- **Forward Contract + Buy Calls** ⇒ Use as post-FC rally protection

Questions?

Daniel O'Brien – Kansas State University

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"Daniel O'Brien" on Facebook



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