



April 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



NORTH CENTRAL
EXTENSION
RISK
MANAGEMENT
EDUCATION



Developed by Dr. Ed Usset

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Potential Active Marketing Plans

- ✓ 2023 Postharvest plans for feedgrains, soybean & wheat *Should be DONE*
- ✓ 2024 Preharvest plans for feedgrains, soybean & wheat *We'll provide a quick review*
- ✓ 2024 Postharvest plan for wheat *We'll end with a plan outline*



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General Thoughts

1. These are NOT recommendations, as much as IDEAS that you may wish to consider.
2. Overall grain/oilseeds prices are down from a year ago and interest rates are up; narrowing profit margins and farm income forecasts.
 - ❖ Should we be considering small sales on this rally, even at less than cost of production?



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2024 Preharvest Corn Plan Implementation

ZCZ24 - Corn - Daily OHLC Chart



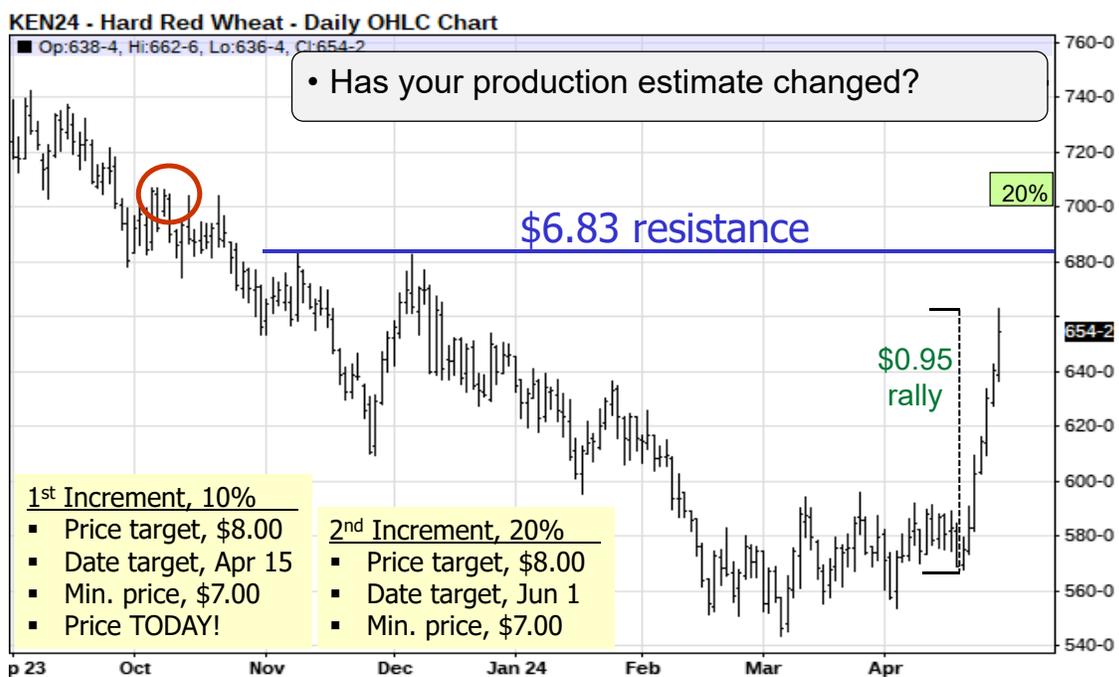
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2024 Preharvest Bean Plan Implementation



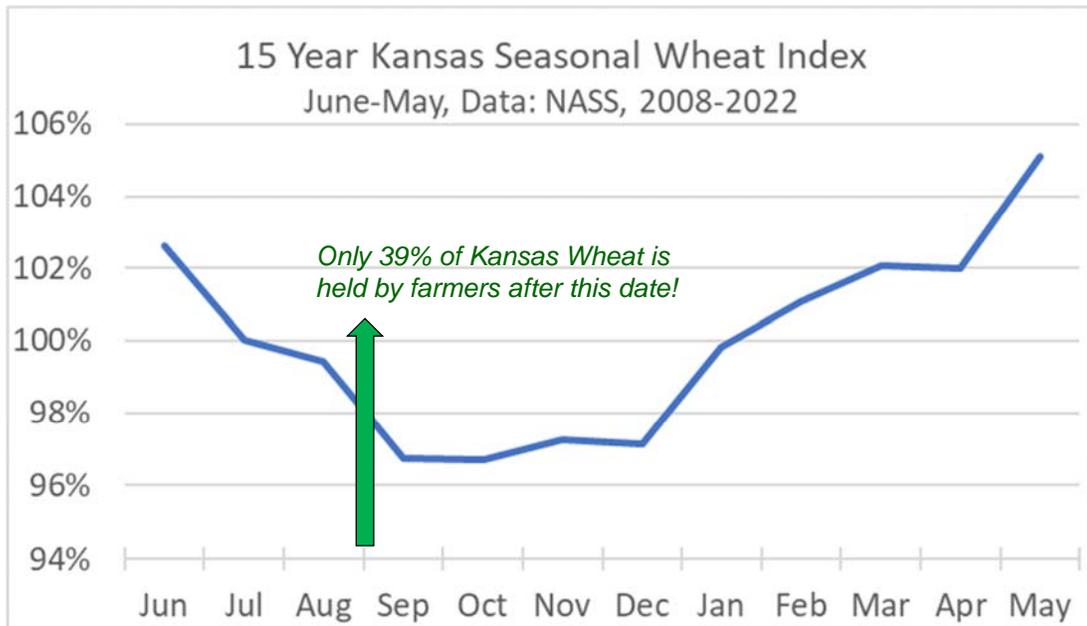
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2024 Preharvest Wheat Plan Implementation



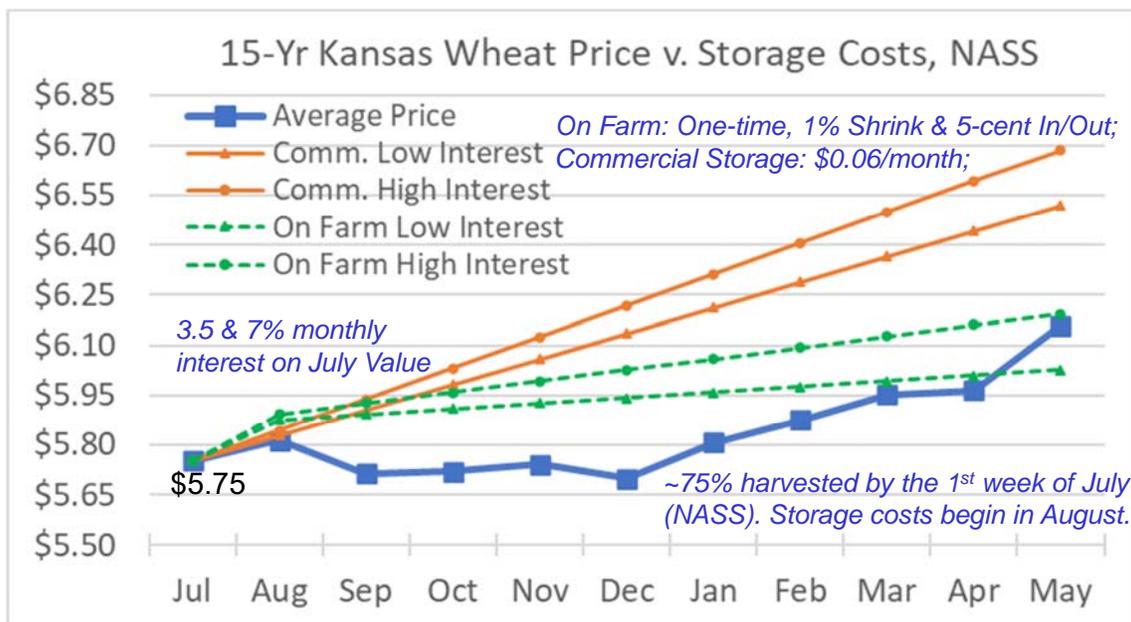
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2024 Postharvest Wheat Marketing



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Does Unhedged Storage Pay? With wheat, on average, nope.



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Postharvest Alternatives

1. Store & Hedge, (ε Dependent on what cash wheat prices do (& relative to futures))
2. Store Unhedged (Dependent on what futures prices do)
3. Sell the crop at harvest (What a lot folks do)
4. Sell the crop & buy a call option (Dependent on what futures prices do)
5. Sell the crop; buy a call & sell an

“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)

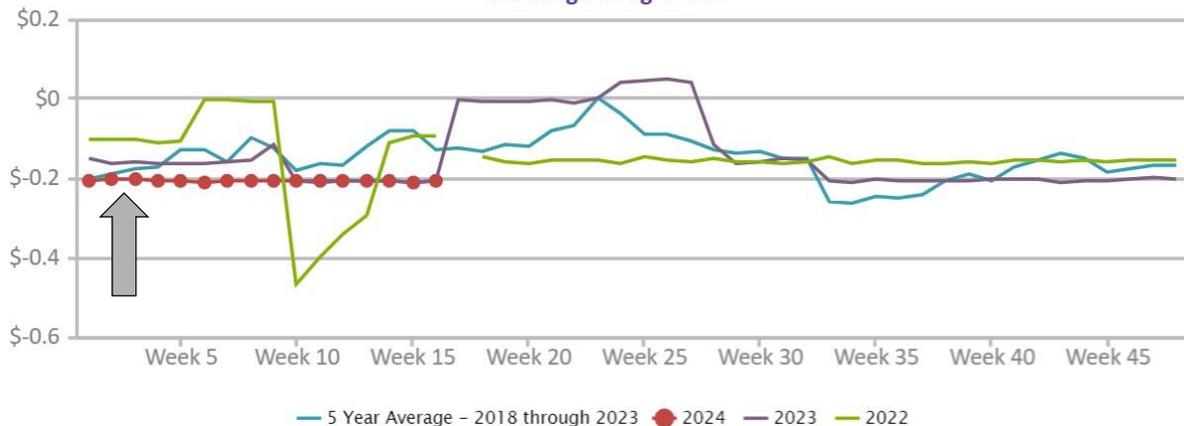


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To assess the potential for basis appreciation, start with the historical basis at the expected time of sale.

SALINA, KS: Hard Red Winter Wheat Basis - CARGILL

www.AgManager.info



The 5-year average (March CME futures) basis in mid January is (\$0.18). Compare that to March basis today [\$6.26 cash - \$6.99 futures = (\$0.73)].

Implying the potential for \$0.55 in basis appreciation! BUT! check at harvest!



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Salina-based, on farm, low interest, comparison of 2024 postharvest wheat marketing alternatives ~4/26/24

2024 Wheat	Postharvest Alternatives			1/17/25		
8/1/2024	(A)	(B)	(C)	(\$0.73)	5.5	(D)
Date beginning storage calculations	Sell the Grain	Sell Grain, Buy a Call Option	Sell Grain & Bull Call Spread	Current Defered Basis	Months of Storage	Storage Hedge & Storage Costs
Local Cash Price	\$6.26	\$6.26	\$6.26	March Futures		\$6.99
Buy an Option	March => Call		Call	Expected Basis		(\$0.20)
A-T-M Strike		\$7.00	\$7.00	Interest	3.5%	(\$0.10)
Option Premium		(\$0.69)	(\$0.69)	Mo. Chrg.	\$0.000	\$0.00
Sell an Option		March => Call		or 1 time: 1% Shrink and \$0.05 In-Out		(\$0.11)
O-T-M Strike			\$7.50	Storage to date	\$0.00	
Option Premium			\$0.52			
Minimum Price	\$6.26	\$5.56	\$6.07	Expected Price		\$6.57
Futures Price to BE w/ (A)		\$7.70	\$7.19			

YOU MUST SELL MARCH CME WHEAT FUTURES!

Currently suggesting a \$0.31 return over selling at harvest. Appreciation in basis of \$0.53 less \$0.21 in on-farm grain storage.

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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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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A Sample Postharvest 2024 Wheat Plan

Objective: Maximize income relative to harvest time wheat value.

Pricing three increments of 2024 production

- 1 Assess the potential for basis appreciation and consider storing up to 50% of unsold wheat production on farm.
- 2 Sell the balance at harvest (i.e., 50-100%).
- 3 Assess the potential for a "March Call Spread" on all bushels sold on the cash market at harvest.

- **This is a tentative postharvest plan.** Outlining decisions to be made at/nearer to harvest but at this time do not include price/profit and date targets. For example:
 - ✓ A basis appreciation goal for the storage hedge and date to sell the wheat.
 - ✓ A profit goal for the call spread, and date to close out the position.



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Thank you so much!

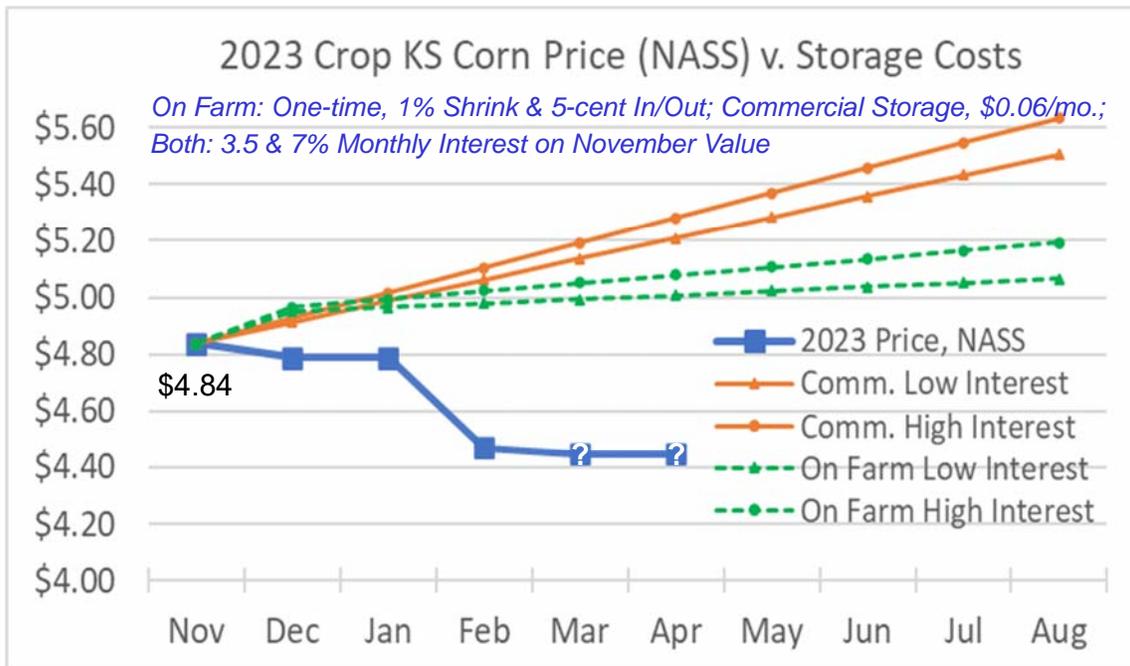
What About 2025?

	<u>Jul Hard Wheat</u>	<u>Dec Corn</u>	<u>Nov Soybeans</u>
2025	\$6.75	\$4.88	\$11.54
2026	\$6.57	\$4.80	\$11.31
2027		\$4.76	\$11.00



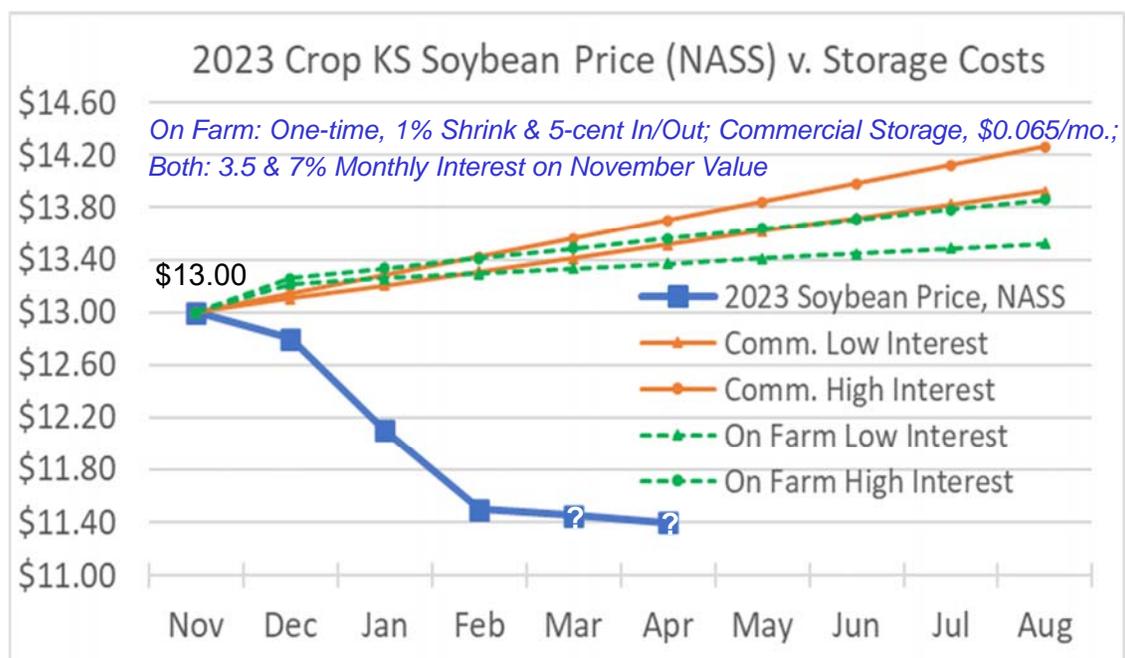
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How are we doing with 2023 crop?



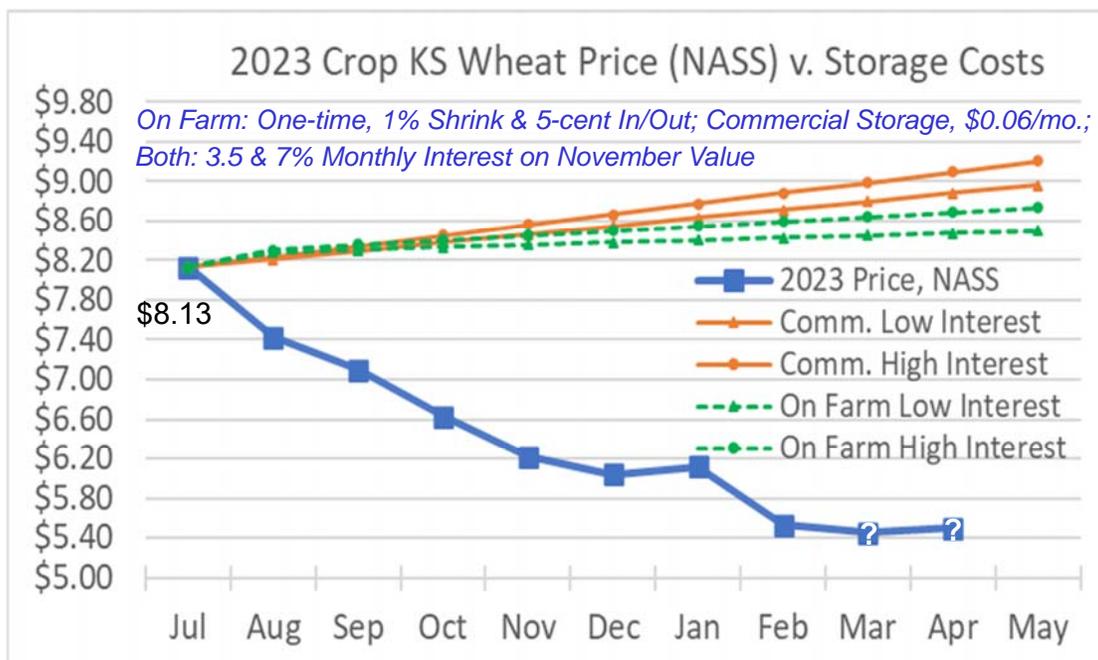
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How are we doing with 2023 crop?



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How are we doing with 2023 crop?



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A Sample Pre-Harvest 2024 Wheat Plan

Objective: 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 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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A Sample Pre-Harvest 2024 Feedgrain Plan

Objective: Buy crop insurance to protect production risk and maximize the 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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A Sample Pre-Harvest 2024 Soybean Plan

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

	<u>Dry Corn</u>	<u>IRR Corn</u>	<u>G. Sorghum</u>
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)



	<u>Soybeans</u>	<u>Wheat</u>
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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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 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. 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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