



Launch Your Preharvest Marketing Plan

Grain Marketing Webinar June 14, 2022



NORTH CENTRAL
EXTENSION
RISK
MANAGEMENT
EDUCATION



Developed by Ed Usset, University of Minnesota
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Launch Your Preharvest Marketing Plan

Roughly Four-Hour Workshops focusing on
three common marketing concepts

- a) Pricing targets
- b) Incremental sales
- c) Decisions dates

- **Corn, Soybeans or Grain**
- **Sorghum Dec-Jan-Feb**
- **Wheat Aug-Sep-Oct**

*Goal of providing you information and the
confidence to develop and implement your
own preharvest marketing plan.*

*Using the 15-year Seasonal Index to help identify both decision dates and
potential maximum price targets.



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June 14 Corn Plan Review

Objective: Buy crop insurance to protect production risk. Price 75% of anticipated crop, based on APH yield (i.e. 60,000 bu.).

Using six, 10,000-bushel Increments

~~Price 10,000 bushels at \$5.50 December futures @ \$5.56~~

~~Price 10,000 bushels at \$5.90 futures, or by April 15 @ \$5.95~~

~~Price 10,000 bushels at \$6.30, \$6.70 futures @ \$6.72~~

~~Price 10,000 bushels at \$6.70, \$7.10, \$7.50 futures, @ \$7.51~~

Price 10,000 bushels at \$7.10, \$7.50, \$7.90 futures, or by Jul 15

Price 10,000 bushels at \$7.50, \$7.90, \$8.30 futures, or Aug 15

Plan starts on January 1, 2022.

Ignore decision dates and **make no sale if prices are lower than your plan's minimum price.**

Exit all options positions by October 1, 2022.

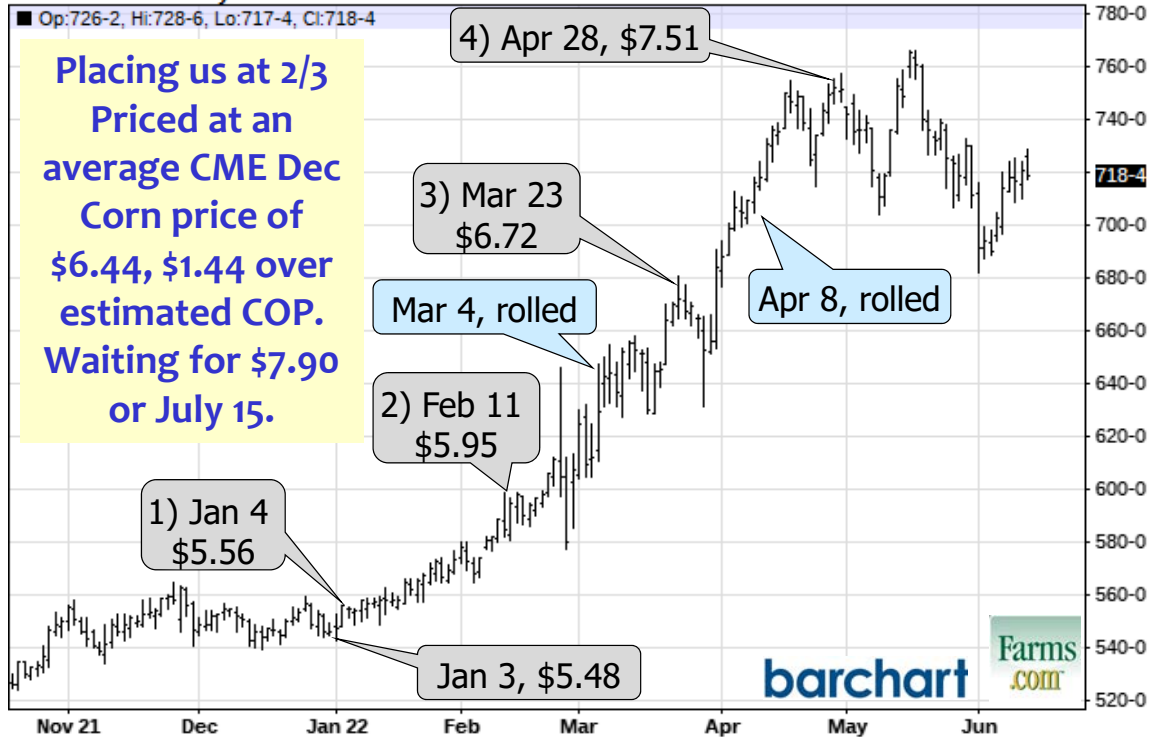


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Corn Marketing Plan: As of Monday, June 13

ZCZ22 - Corn - Daily OHLC Chart

Op:726-2, Hi:728-6, Lo:717-4, Cl:718-4



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What Do the “Seasonals” Tell Us?



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✓ What's a Realistic Max Price Target?

Let's start with the seasonals

Fifteen Years: CME NOV Soybean Futures				
2007/21	Jan 1 Price	Preharvest Max Price	Change	Percent Change
2007	\$7.26	\$10.09	\$2.83	39%
2008	\$11.48	\$16.31	\$4.83	42%
2009	\$10.04	\$10.90	\$0.86	9%
2010	\$10.20	\$11.89	\$1.69	17%
2011	\$12.94	\$14.58	\$1.63	13%
2012	\$12.19	\$17.68	\$5.49	45%
2013	\$12.94	\$13.96	\$1.02	8%
2014	\$11.29	\$12.71	\$1.42	13%
2015	\$9.93	\$10.37	\$0.44	4%
2016	\$8.73	\$11.63	\$2.90	33%
2017	\$9.83	\$10.43	\$0.60	6%
2018	\$9.82	\$10.54	\$0.71	7%
2019	\$9.44	\$9.64	\$0.21	2%
2020	\$9.81	\$10.66	\$0.85	9%
2021	\$11.21	\$14.60	\$3.39	30%

Preharvest: On average, 25% of KS soybeans are harvested by Mid October



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✓ Price Targets

Let's put'em in order of "Change"

Fifteen Years: CME NOV Soybean Futures					
	2007/21	Jan 1 Price	Preharvest Max Price	Change	Percent Change
But 33% of the time prices rise nearly \$3.00 or more	2012	\$12.19	\$17.68	\$5.49	45%
	2008	\$11.48	\$16.31	\$4.83	42%
	2021	\$11.21	\$14.60	\$3.39	30%
	2016	\$8.73	\$11.63	\$2.90	33%
	2007	\$7.26	\$10.09	\$2.83	39%
67% of the time; prices rise less than \$2.00/bu.	2010	\$10.20	\$11.89	\$1.69	17%
	2011	\$12.94	\$14.58	\$1.63	13%
	2014	\$11.29	\$12.71	\$1.42	13%
	2013	\$12.94	\$13.96	\$1.02	8%
	2009	\$10.04	\$10.90	\$0.86	9%
40% of the time; prices rise less than a \$1.00/bu.	2020	\$9.81	\$10.66	\$0.85	9%
	2018	\$9.82	\$10.54	\$0.71	7%
	2017	\$9.83	\$10.43	\$0.60	6%
13% of the time; under \$0.50 increase	2015	\$9.93	\$10.37	\$0.44	4%
	2019	\$9.44	\$9.64	\$0.21	2%



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2022 Soybean Preharvest Marketing Plan?

Step 1. Determine the % of anticipated crop/bushels to include

Step 2. Estimate your Cost of Production \$9.25 per bushel ????

Step 3. Outline a Preharvest Plan, NOV 2022 Soybean futures

Increment 1 - Price at \$13.50 futures, to get something priced

Increment 2 - Price at \$14.00 futures, or by Jun 15, 2022

Increment 3 - Price at \$14.50 futures, or by Jul 15, 2022

Increment 4 - Price at \$15.00 futures, or by Aug 15, 2022

Increment 5 - Price at \$15.50 futures, or by Sep 15, 2022

Increments	Price Targets	Decision Dates
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Ignore decision dates and **make no sale if prices are lower than \$10.00 local cash price.**

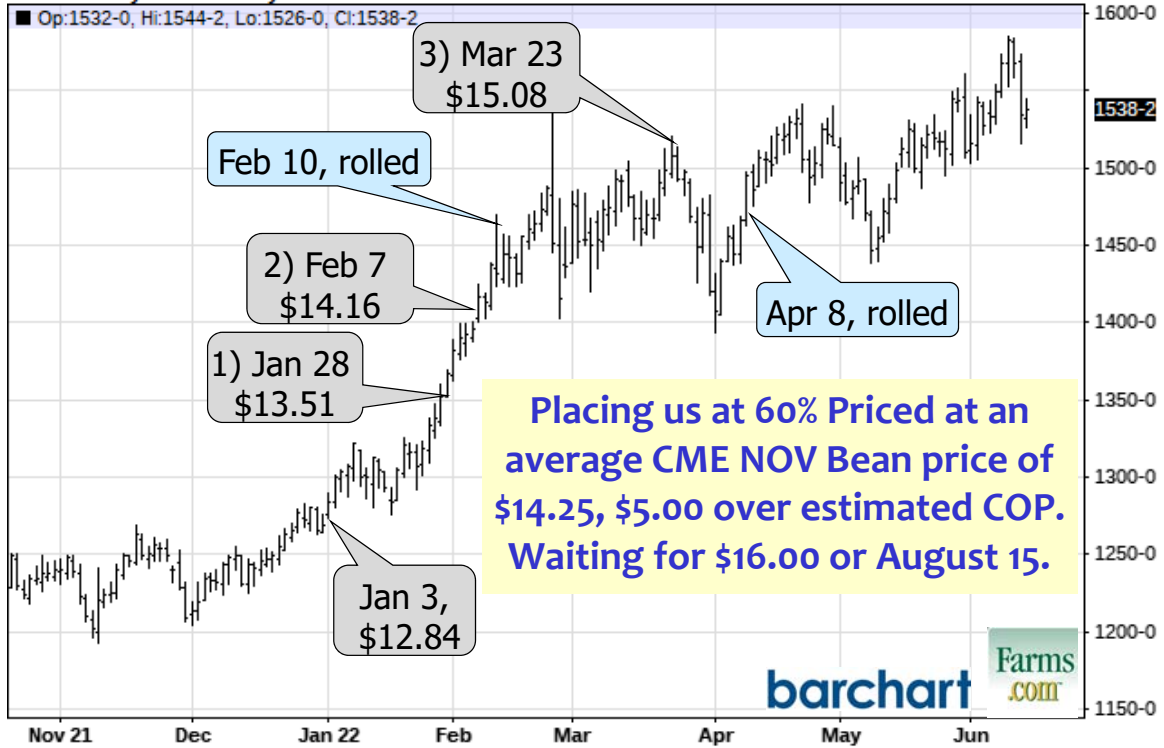
- Costs = Average of 2022 SC, NC, SE & NE, KS KSU Budgets



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Soybean Preharvest Plan: As of June 13

ZSX22 - Soybean - Daily OHLC Chart



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Corn and Soybean Plans: Reading the Charts, Where Are We?

Beans have been slowly trending up since March.

ZSX22 - Soybean - Daily OHLC Chart



ZCZ22 - Corn - Daily OHLC Chart



Corn has been sideways the last two months.



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Technical analysis can be subjective, some may say this is bearish . . . I don't know, maybe?



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Managing Preharvest Marketing Plans

- Keep it simple.
- Focus on what you can control.
- Keep our lenders informed & Work with your broker/market consultant.



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Managing Preharvest Marketing Plans

- Remember: The longer this goes, the more we learn and the more the world adapts.
 - U.S. corn & beans are largely in. June 30 we'll know acreage, from there it's weather/yields.
 - Watching La Nina impacts on South America.
 - Watching Ukraine/Russia and world trade
- At some point prices will likely weaken. Are you outlining your 2023 Preharvest Plans?
 - 2023 JUL HRW Wheat is \$11.20; DEC Corn, \$6.50; NOV Beans, \$13.96



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2023 Wheat Preharvest Marketing Plan?

Step 1. Determine the % of anticipated crop/bushels to include

Step 2. Estimate your Cost of Production \$8.40 per bushel ????

Step 3. Outline a Preharvest Plan, July 2023 HRW futures

Increment 1 - Price at \$12.00 futures, or by Jun 15, 2022

Increment 2 - Price at \$12.50 futures, or by Aug 15, 2022

Increment 3 - Price at \$13.00 futures, or by Jan 15, 2023

Increment 4 - Price at \$13.50 futures, or by Feb 15, 2023

Increment 5 - Price at \$14.00 futures, or by Mar 15, 2023

Increments	Price Targets	Decision Dates
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Ignore decision dates and make no sale if prices are lower than **\$9.00 local cash price.**

- Costs = 25% over the 2022 NC KS KSU Budget



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Hemispheric Exports

Corn of World Exports
US, Russia, Ukraine & EU = 50%
Argentina, Brazil & S. Africa = 43%

Soybeans of World Exports
US = 37%
Argentina, Brazil & Paraguay = 57%

Wheat of World Exports
US, Can, EU, Rus., UKR, Ind., Kzkstn = 71%
Argentina & Brazil = 19%

USDA-WASDE 2020, 2021, 2022 Average



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Are You Bullish or Bearish?

- Take today's Futures and add/subtract \$1.00
DEC 2022 Corn @ \$7.21 **\$8.21** or **\$6.21**
Which is more likely?
- DEC 2023 Corn @ \$6.51 **\$7.51** or **\$5.51**
Which is more likely?
- JUL 2023 Wheat @ \$11.15 **\$12.15** or **\$10.15**
Which is more likely?



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Question

- Who are we the farmers competing against when trying to zero-in on a strategy to sell grain. Huge hedge funds? What is our best approach to maximize our ROI? It doesn't appear fundamentals are at the top of the list for swinging grain prices.
- Your Neighbor.
 - Your marketing needs to focus on managing price risk and AVOIDING mistakes.



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Thank you for your Time!



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2022 Soybean Preharvest Marketing Plan?

Step 1. Determine the % of anticipated crop/bushels to include

Step 2. Estimate your Cost of Production \$9.25 per bushel ????

Step 3. Outline a Preharvest Plan, NOV 2022 Soybean futures

Increment 1—Price at ~~\$13.50~~ futures, Jan 28 @ \$13.51

Increment 2—Price at ~~\$14.00~~ futures, Feb 7 @ \$14.16

Increment 3—Price at ~~\$14.50~~ ~~\$15.00~~ fut., Mar 23 @ \$15.08

Increment 4 - Price at ~~\$15.00~~ ~~\$15.50~~ ~~\$16.00~~ fut., or Aug 15

Increment 5 - Price at ~~\$15.50~~ ~~\$16.00~~ ~~\$17.00~~ fut., or Sep 15

Increments	Price Targets	Decision Dates
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Ignore decision dates and **make no sale if prices are lower than \$10.00 local cash price.**

- Costs = Average of 2022 SC, NC, SE & NE, KS KSU Budgets



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Adjusting Our Marketing Plans

- Keep it simple.
- Focus on what you can control.
 - Keep our lenders informed.
 - Work with your broker/market consultant.
 - Slow down our preharvest marketing?
 - Adjust your pricing targets?
 - Swap out futures positions for forward contracts? Noting local basis volatility.



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Swapping Out Early Sales, 4/8/22

Garden City Corn (1/4/22)
 Initial Corn Fut. Sale @ \$5.56
 plus expected basis (\$0.02)
minus fees \$0.01
 Expected Net Hedge of \$5.53
@ \$7.16 DEC Corn (\$1.60)

Salina Wheat (11/5/21)
 Initial Wheat Fut. Sale \$7.76
 plus expected basis (\$0.13)
minus fees \$0.01
 Expected Net Hedge of \$7.62
@ \$11.10 JUL Wheat (\$3.34)

Keep it Simple (actions on April 8, 2022)
 a) Stay the Course.
 b) Swap out futures positions for forward contracts?

Exit DEC Corn Fut. @ \$7.16
 Futures Loss = (\$1.61)
 Forward Contract @ \$7.46
 Net Position of \$5.85

Exit JUL Wheat Fut. @ \$11.10
 Futures Loss = (\$ 3.35)
 Forward Contract @ \$10.80
 Net Position of \$ 7.45



\$0.30 basis (\$0.30) basis
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