June 24, 2024 Webinar

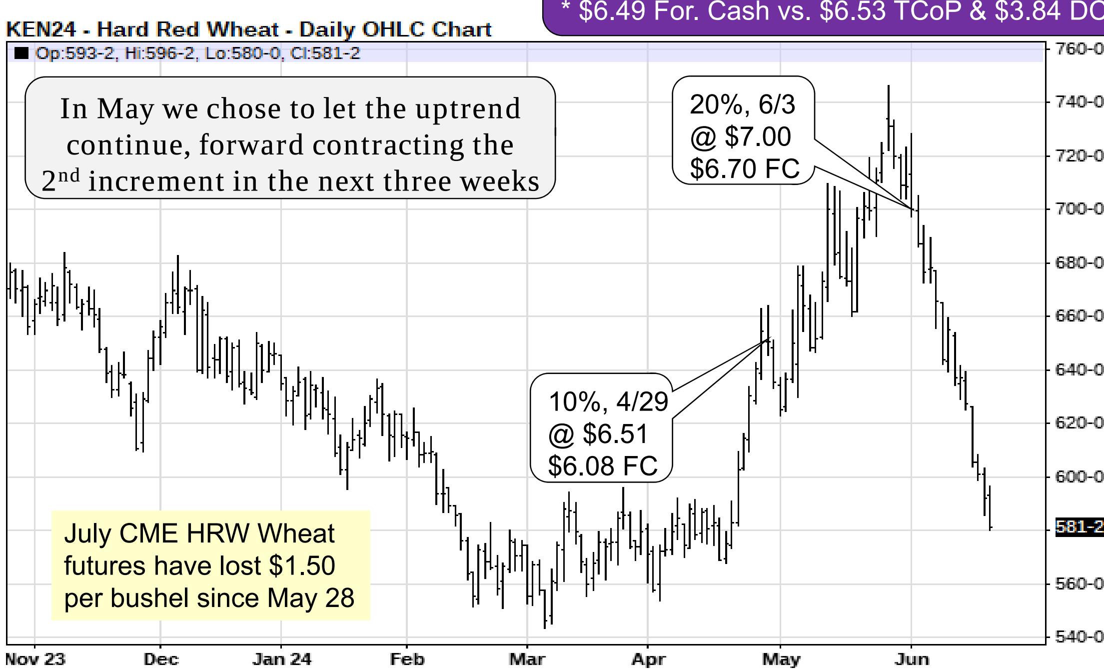
1. WTG Marketing Plans: OUTLINES for you to consider and compare your plans and actions to.
2. To be effective, marketing plans must include:
   a) Pricing Increments, (how much each time);
   b) Price Targets, (the price/profit you'll sell at);
   c) Date Targets, (designed to compel action when/if price targets aren't reached).

Together, these can guide your decisions, **lead to action**, and help take the emotion out of marketing.

2024 Preharvest Wheat Plan Implementation

Plan start: October 1, July CME HRW @ $6.97 ½

30% of expected production priced at an average of $6.84 CME JUL Wheat Fut.
* $6.49 For. Cash vs. $6.53 TCoP & $3.84 DCoP



Salina-based, on farm, comparison of 2024 postharvest wheat marketing alternatives ~6/21/24

2024 Wheat	Postharvest Alternatives				1/17/25	
8/1/2024 Date beginning storage calculations **5/28/24 Example**	**(A)** Sell the Grain	**(B)** Sell Grain, Buy a Call Option	**(C)** Sell Grain & Bull Call Spread	($0.41) Current Defered Basis	5.5 Months of Storage	**(D)** Storage Hedge & Storage Costs
Local Cash Price	$5.76	$5.76	$5.76	March Futures		$6.17
Buy an Option	March	=> Call	Call	Expected Basis		($0.200)
A-T-M Strike		$6.20	$6.20	Interest	5.0%	($0.132)
Option Premium		($0.49)	($0.49)	Mo. Chrg.	$0.000	$0.000
Sell an Option		March	=> Call	or 1 time: 1% Shrink		($0.108)
O-T-M Strike			$6.70	and $0.05 In-Out		
Option Premium			$0.33	Storage to date $0.00		
Minimum Price	$5.76	$5.27	$5.58	Expected Price		$5.72
Futures Price to BE w/ (A)		$6.70	$6.38	Expected Profit		($0.04)

YOU MUST SELL MARCH CME WHEAT FUTURES!

Suggesting a $0.04 loss over selling at harvest, down $0.11 from last month. On farm storage example.

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

Implementing Our Call Option Spread

Objective: Maximize income relative to harvest time wheat value.

- A March Call Spread provides the opportunity take advantage of any significant price rallies at less cost than simply "Buying a Call Option."
- Buying an "at-the-money" call, and selling a $0.50, "out-of-the-money" call. Which is providing a maximum gain of roughly $0.30 per bushel.

Monitoring Call Options							
	March	Buy Call	ATM	Sell Call	OTM	Breakeven	Max
Date	Futures	Strike	Premium	Strike	Premium	* Futures	**Gain
6/18/2024	$6.4225	$6.4000	($0.5475)	$6.9000	$0.3800	$6.588	$0.313
6/21/2024	$6.1650	$6.2000	($0.4850)	$6.7000	$0.3250	$6.380	$0.320

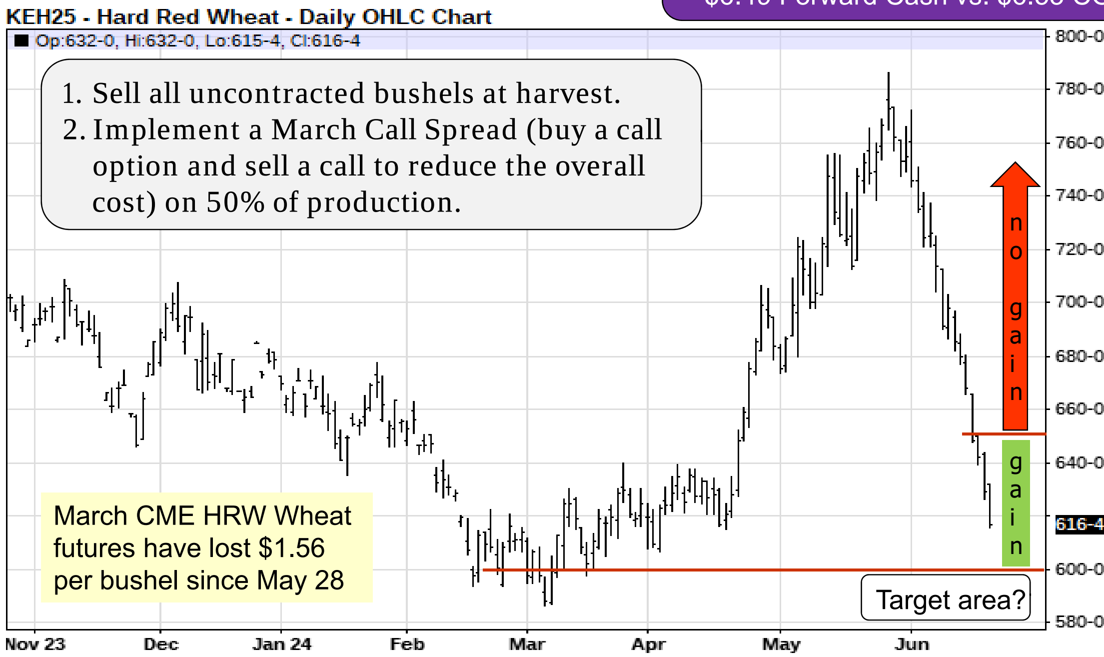
- Once implemented, a profit goal ($0.20 to $0.25) and date to close out the position (Jan 31, 2025) should be added.

** BE Futures = ATM Strike – ATM Premium - OTM Premium +$0.02*
*** Max Gain = The sold OTM Call Strike – BE Futures*

2024 Post Harvest Wheat Plan Implementation

Goal: Improve our price vs. what is/was available at harvest.

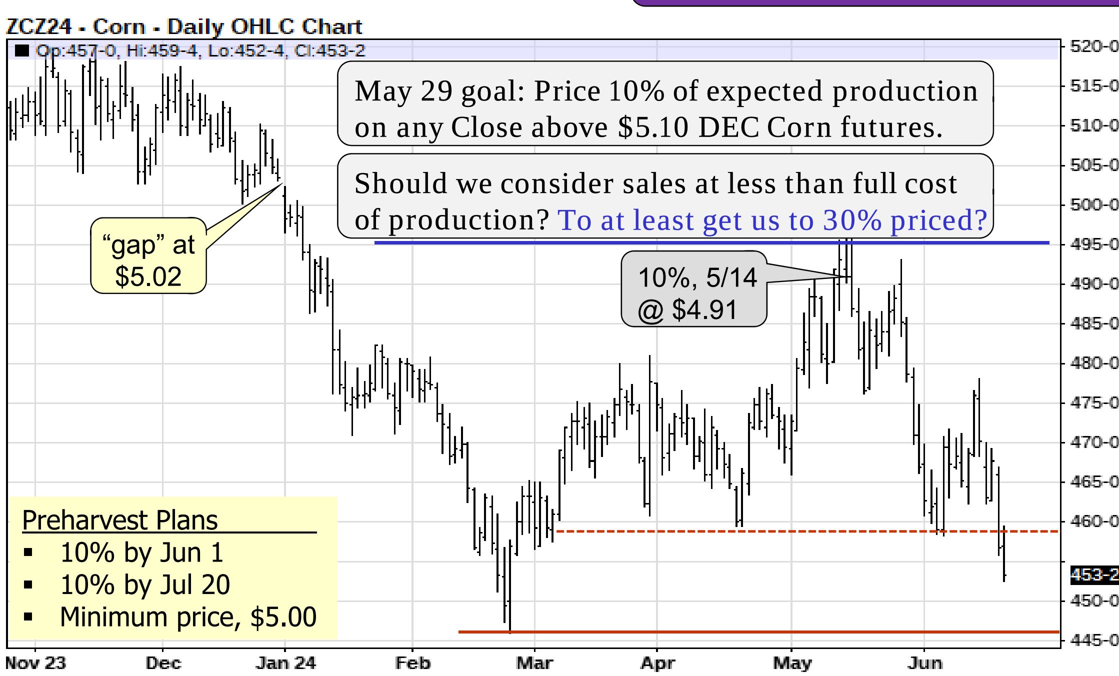
30% of expected production priced at an average of $6.84 CME JUL Wheat Fut. - $6.49 Forward Cash vs. $6.53 COP



2024 Preharvest Corn Plan Implementation

Plan start: Jan 1, December CME Corn @ $4.98 ¼

10% priced at $4.91 CME DEC Futures - $4.60 Forward Cash vs. $4.36 TCoP



Examining 2024 Costs of Production

a) Direct Expenses: Seed, Fertilizer, Herbicides, Fuel, Repairs, Crop insurance, Interest, Labor (hired & operator)

b) Fixed Expenses: Depreciation and Land (cash rent)

WTG: A **weighted average (dryland and irrigated)** Kansas cost of production based on KSU Farm Management Guides, https://agmanager.info/farm-budgets

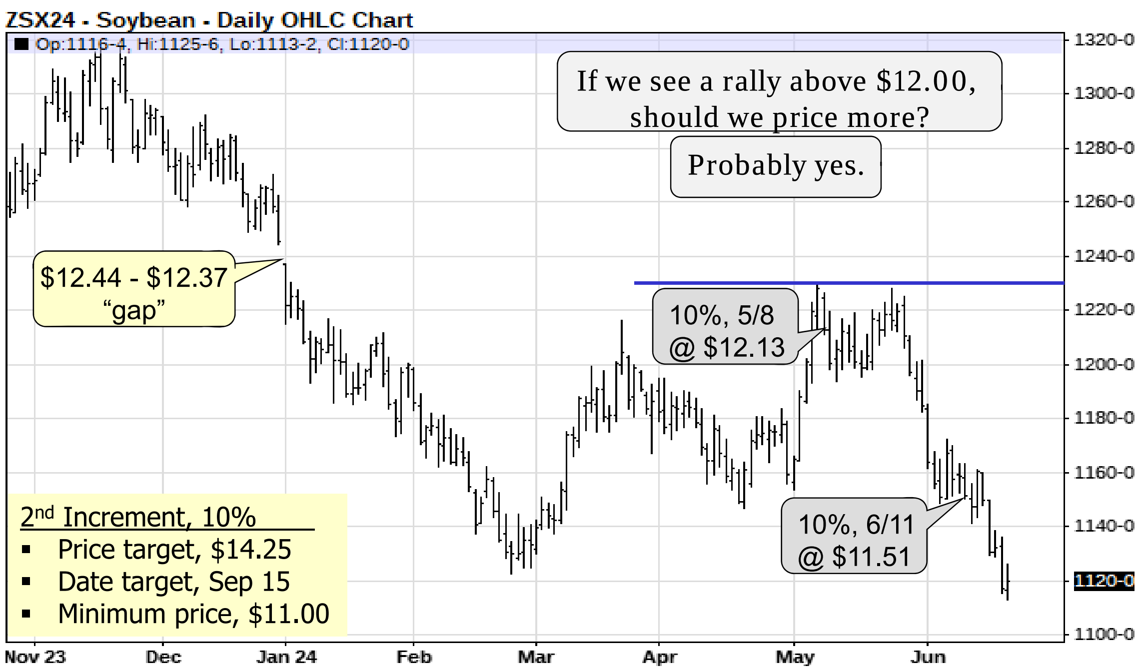
	Wheat	Corn	Soybeans
Yield:	61	159	53
Direct Costs/bu.:	$3.84	$2.77	$ 5.07
Total Costs/bu.:	$6.53	$4.36	$ 9.46
Basis & Cushion:	$0.47	$0.64	$ 1.54
Target Futures:	$7.00	$5.00	$11.00

Cash rent, increases direct costs to $3.56 & target DEC futures to $4.21.

2024 Preharvest Bean Plan Implementation

Plan start: Jan 1, November CME Bean @ $12.22

1st Increment: 20% of exp. prod. priced at an average $11.82 CME NOV futures.



WINNING THE GAME™

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The Voice of Agriculture

Thank you so much!

WTG Marketing Plans: Outlines for you to consider, and compare your plans and actions to.

A Sample Pre-Harvest 2024 Feedgrain Plan

Began Jan 1: Buy crop insurance to protect production risk and maximize 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 $0.50-$.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. $4.36 + $0.39 - ($0.25) = $5.00 minimum futures target

$4.47 WK IRR-weighted COP, rounded to $4.50/bu.

A Sample Pre-Harvest 2024 Soybean Plan

Began Jan 1: 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.

WINNING THE GAME

"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)

Postharvest Alternatives

1. Store & Hedge, (store the crop & sell futures or buy a put option)
2. Store Unhedged (possibly what many folks consider)
3. Sell the crop at harvest (What a lot folks do)
4. Sell the crop & buy a call option ("minimum price contract")
5. Sell the crop; buy a call & sell an OTM call (i.e., spread)

WINNING THE GAME

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, greater 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 <u>higher floor</u>** than other minimum price alternatives (via call premium received).

✓**It also establishes a <u>ceiling</u>** at the OTM call strike. As you **pay margin as futures rise,** offsetting ATM call gains.

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

A Sample Postharvest 2024 Wheat Plan

Objective: Maximize income relative to harvest time wheat value.

<u>Deliver the 30% Forward Contacted Bushels and then:</u>
1 Sell all uncontracted bushels at harvest. *[at the KS Avg July Price]*
2 Consider a "March Call Spread" on 50% of production.

- A March Call Spread allows for the opportunity take advantage of any significant price rallies at less cost than simply "Buying a Call Option."
- Since May 29, March CME HRW Wheat futures have dropped $1.45. Our goal is to let futures fall, implementing at
- Once implemented, a profit goal ($0.20) and date to close out the position (Jan 31, 2025) should be added.