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July 22, 2024
Webinar

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).

These items, coupled with the **TOOLS** you select to price/sell with, can guide your decisions, **lead to action**, and help take the emotion out of marketing.

WTG Marketing Plans are not advice, but benchmarks for you to compare your plans and decisions to.



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A Sample Pre-Harvest 2024 Feedgrain Plan

Began Jan 1, DEC @ \$4.98: Buy crop insurance to protect production risk and maximize price on bushels sold preharvest.

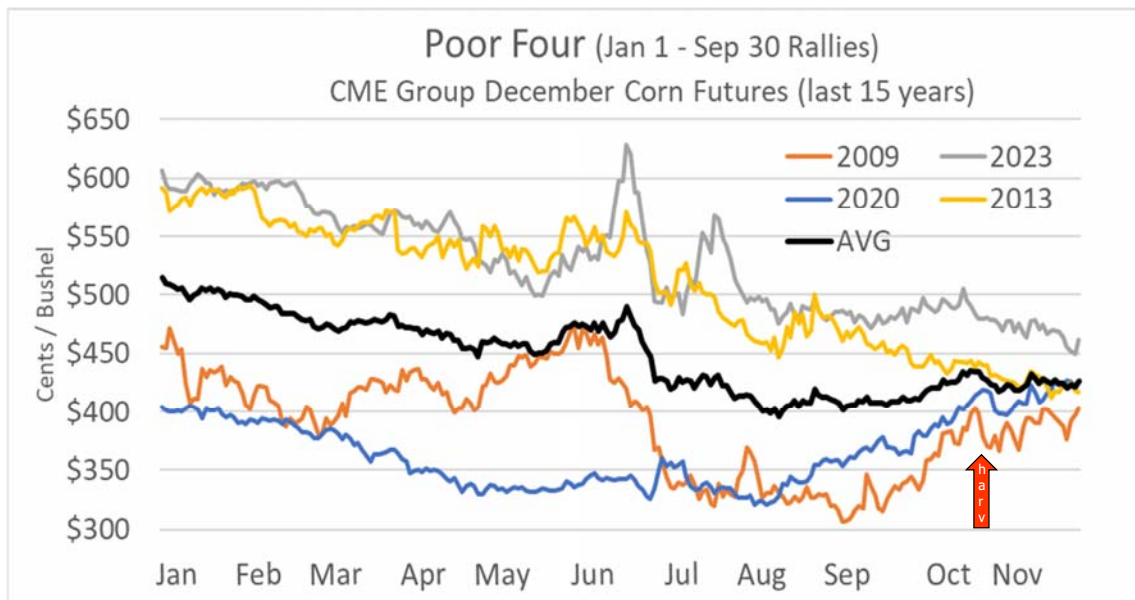
Pricing four increments of total expected APH production

- 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. $\$4.36 + \$0.39 - (\$0.25) = \5.00 minimum futures target



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- In "Poor" years, prices trend lower throughout preharvest.
- Rallies back to Jan 1 levels are few and short-lived.
- Uptrends into harvest are not uncommon.



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2024 Preharvest Corn Plan Implementation

Plan start: Jan 1
 DEC CME Corn @ \$4.98 ¼

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



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A Sample Pre-Harvest 2024 Soybean Plan

Began Jan 1, NOV @ @12.22: Buy crop insurance to protect production risk. Maximize price received on preharvest sales.

Pricing four increments of total expected APH production

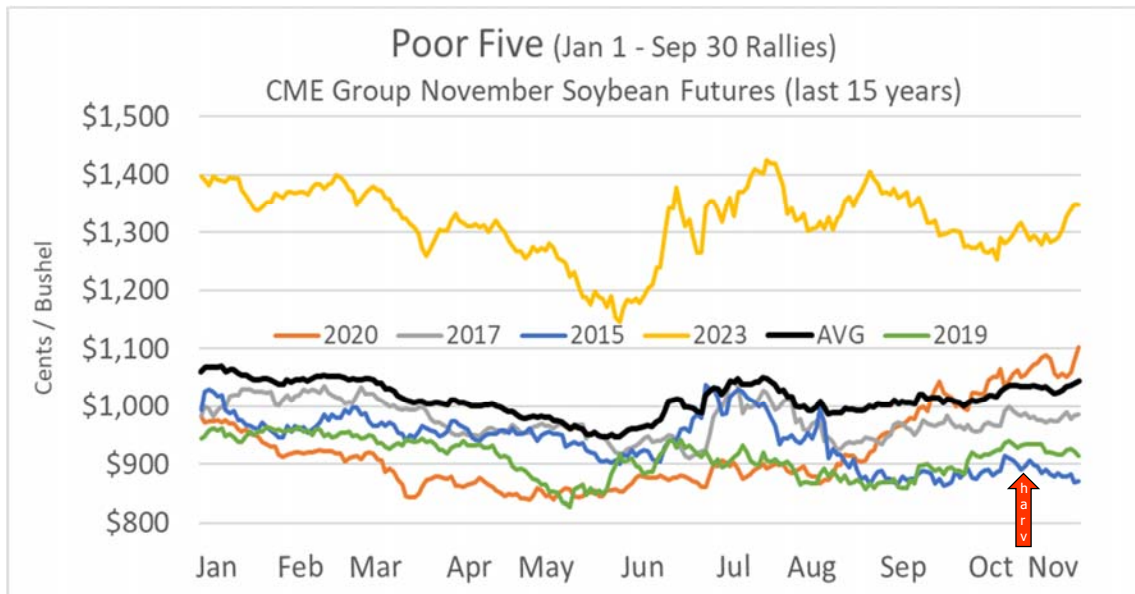
- 1 Price 20% at \$13.25 November futures or by Jun 15
- 2 Price 10% at \$14.00 November futures or by Sep 15
- 3 Price 20% at \$14.50 November futures
- 4 Price 25% at \$15.25 November futures

- 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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- In "Poor" years, prices trend largely sideways to lower.
- Rallies back to Jan 1 levels can provide opportunities.



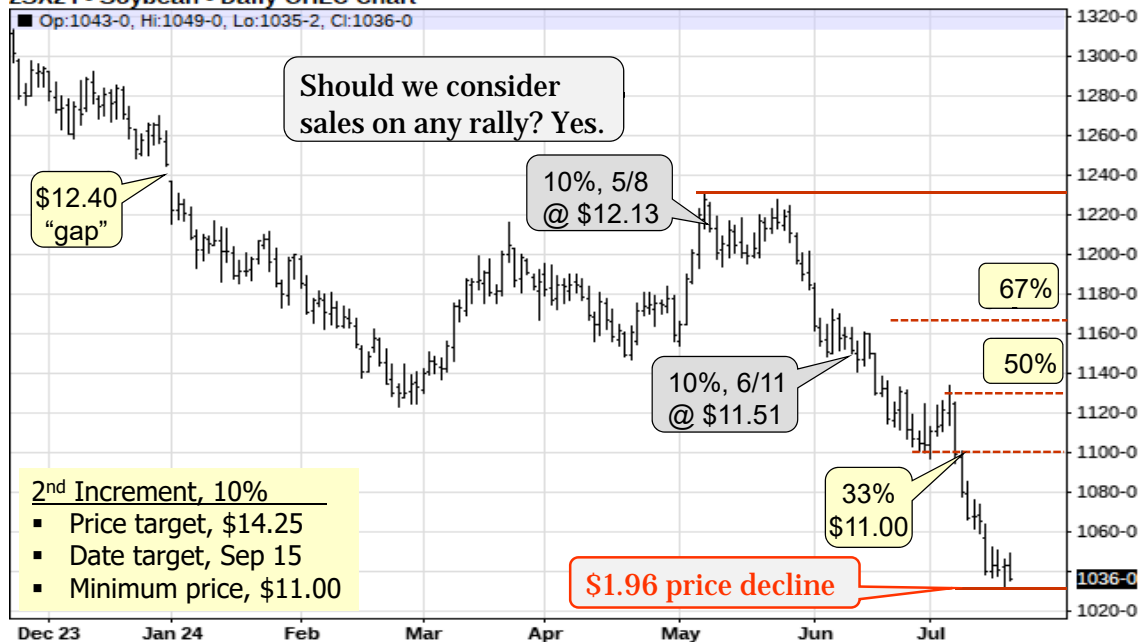
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2024 Preharvest Bean Plan Implementation

Plan start: Jan 1
NOV CME Bean @ \$12.22

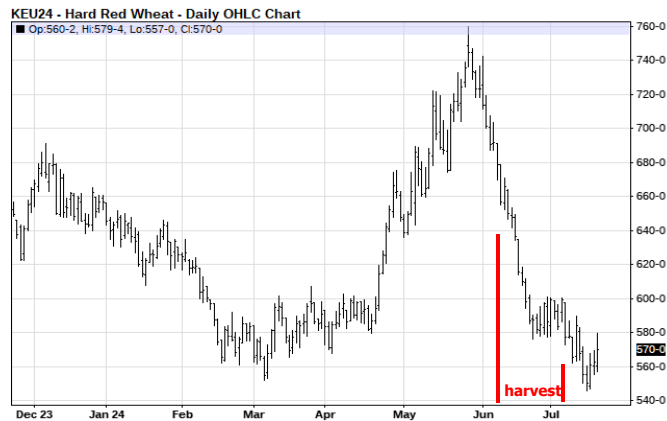
1st Increment: 20% of exp. prod. priced at an average \$11.82 CME NOV futures.

ZSX24 - Soybean - Daily OHLC Chart



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



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)



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Salina-based, on farm, comparison of 2024 postharvest wheat marketing alternatives ~7/19/24

2024 Wheat	Postharvest Alternatives			1/17/25		
8/1/2024	(A)	(B)	★	(\$0.45)	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	\$5.55	\$5.55	\$5.55	March Futures	\$6.00	
Buy an Option	March	=> Call	Call	Expected Basis	(\$0.200)	
A-T-M Strike		\$6.00	\$6.00	Interest	5.0%	(\$0.127)
Option Premium		(\$0.45)	(\$0.45)	Mo. Chrg.	\$0.000	\$0.000
Sell an Option		March	=> Call	or 1 time: 1% Shrink and \$0.05 In-Out	(\$0.106)	
O-T-M Strike			\$6.50	Storage to date	\$0.00	
Option Premium			\$0.29	Expected Price	\$5.55	
Minimum Price	\$5.55	\$5.09	\$5.37	Expected Profit	\$0.00	
Futures Price to BE w/ (A)	\$6.46	\$6.18				

YOU MUST SELL MARCH CME WHEAT FUTURES!

Suggesting you'd breakeven vs. selling at harvest. 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.



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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, 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 higher floor** than other minimum price alternatives (via call premium received).

✓ **It also establishes a ceiling** 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>



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2024 Postharvest Wheat Example

Cash/Physical Market	March Futures	Buy a Call Option	Sell a Call Option
Sell wheat at harvest. WTG will use the July KS average price	\$6.1675	6/28 \$6.20 Call at (\$0.495)	6/28 \$6.70 Call at \$0.335
	Implementation position (\$0.18)		

2024 Postharvest Wheat Marketing Plan

1. Sell all uncontracted bushels at harvest.
2. Implement a March Call Spread (buy a call option and sell a call to reduce the overall cost) on 50% of production. Profit target of \$0.20 to \$0.25, and date target Jan 31, 2025)



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Mark Nelson
Director of Commodities
Kansas Farm Bureau
nelsonm@kfb.org
X @Nelz360



Thank you so much!

*WTG Marketing Plans: Benchmarks for you to consider,
and compare your plans and decisions to.*



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July 22 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
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EDUCATION



Developed by Dr. Ed Usset
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