

# WINNING THE GAME™ August 26, 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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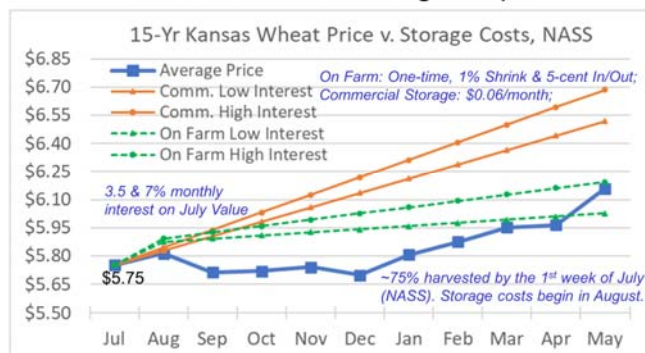
# WINNING THE GAME™ Questions?

When will be the best time to sell my 2024 wheat?

**“WTG Plan to Consider”**

- a) Forward contract 30% prior, and into harvest.
- b) Sell all uncontracted bushels at harvest.
- c) On June 28, we implemented a March Call Spread (bought a \$6.20 call option and sold a \$6.70 call (reducing overall cost) on 50% of production.

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



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# Salina-based, on farm, comparison of 2024 postharvest wheat marketing alternatives ~8/23/24

2024 Wheat	Postharvest Alternatives			1/17/25		
8/1/2024	(A)	(B)	(C)	(\$0.33)	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	<b>\$5.15</b>	\$5.15	\$5.15	March Futures	<b>\$5.48</b>	
Buy an Option	<b>March</b>	=> Call	Call	Expected Basis	<b>(\$0.200)</b>	
A-T-M Strike		<b>\$5.50</b>	\$5.50	Interest	<b>5.0%</b>	<b>(\$0.118)</b>
Option Premium		<b>(\$0.36)</b>	<b>(\$0.36)</b>	Mo. Chrg.	<b>\$0.000</b>	\$0.000
Sell an Option		March	=> Call	or 1 time: 1% Shrink and \$0.05 In-Out	<b>(\$0.102)</b>	
O-T-M Strike			<b>\$6.00</b>	Storage to date	<b>(\$0.12)</b>	
Option Premium			<b>\$0.20</b>	Expected Price	<b>\$5.05</b>	
Minimum Price	<b>\$5.03</b>	<b>\$4.66</b>	<b>\$4.85</b>	Expected Profit	<b>(\$0.10)</b>	
Futures Price to BE w/ (A)		<b>\$5.87</b>	<b>\$5.68</b>			

**YOU MUST SELL MARCH CME WHEAT FUTURES!**

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

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



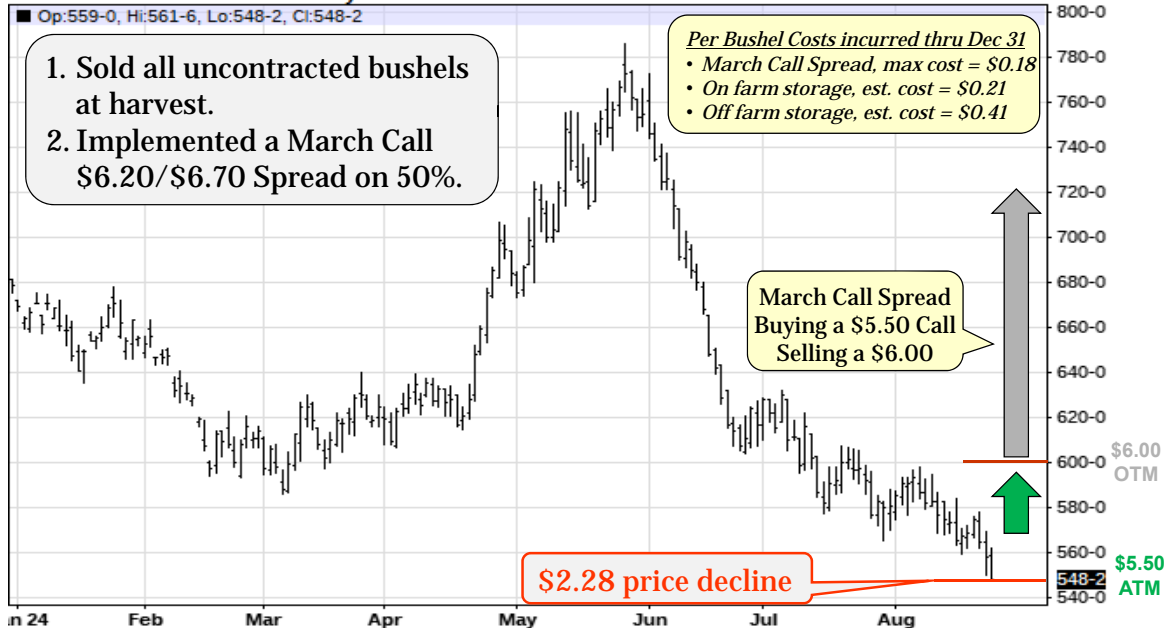
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## 2024 Post Harvest Wheat Plan Implementation

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

30% of expected production forward contracted at an average of \$6.84 CME July HRW Wheat futures.

KEH25 - Hard Red Wheat - Daily OHLC Chart



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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.

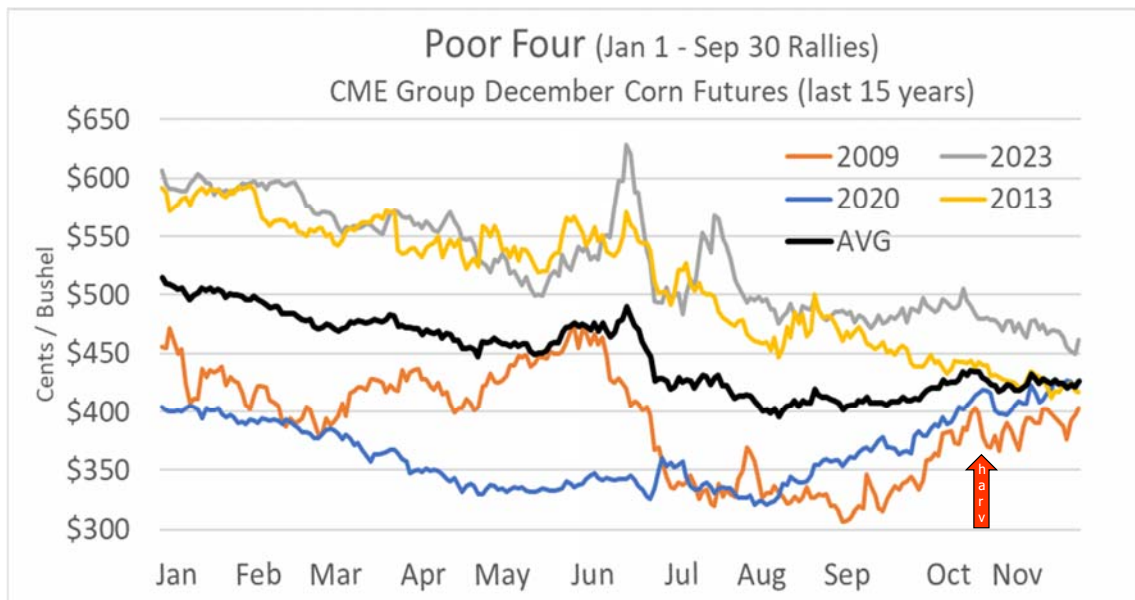
## Pricing four increments of total expected APH production

- 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-\$.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.



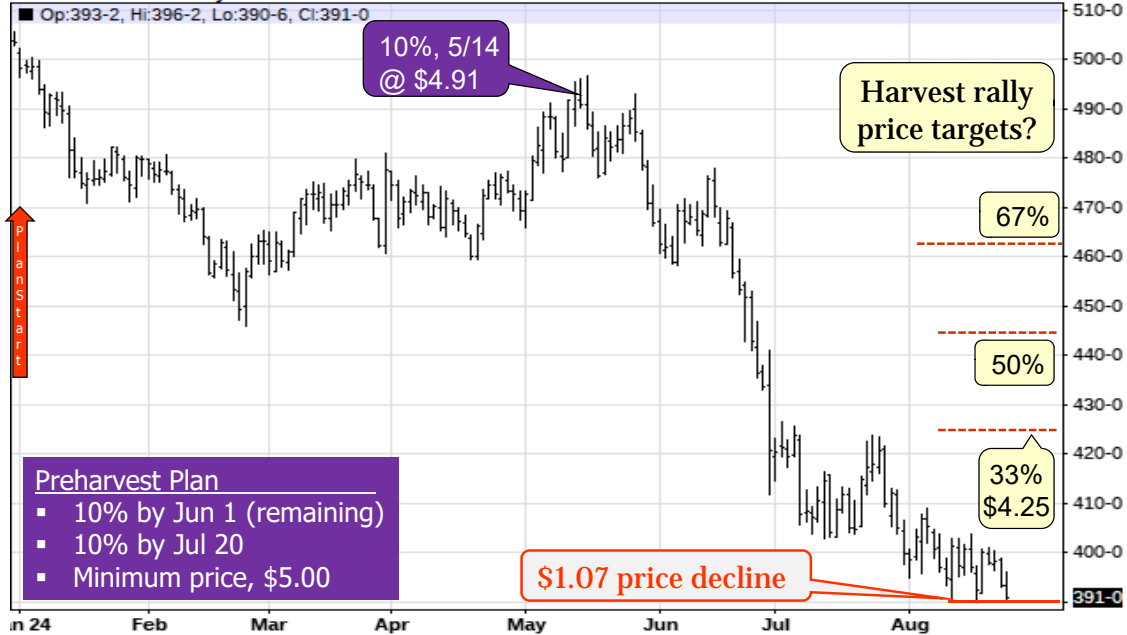
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# 2024 Preharvest Corn Plan Implementation

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

ZCZ24 - Corn - Daily OHLC Chart



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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

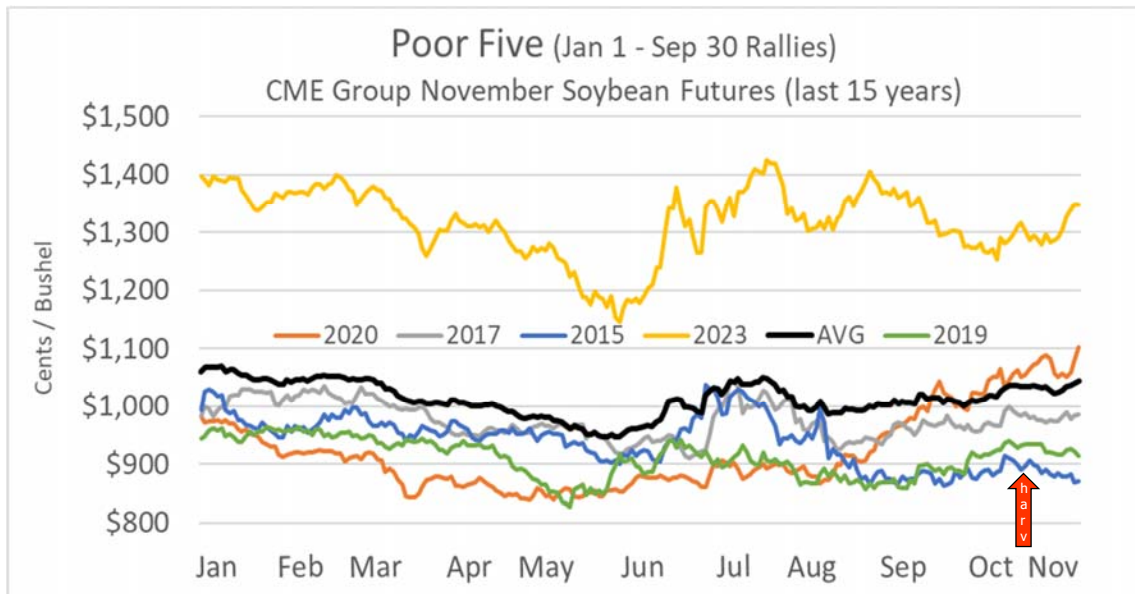
- 1 Price 20% at \$13.25 November futures or by Jun 15
- 2 Price 10% at \$14.00 November futures or by Sep 15
- 3 Price 20% at \$14.50 November futures
- 4 Price 25% at \$15.25 November futures

- 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.



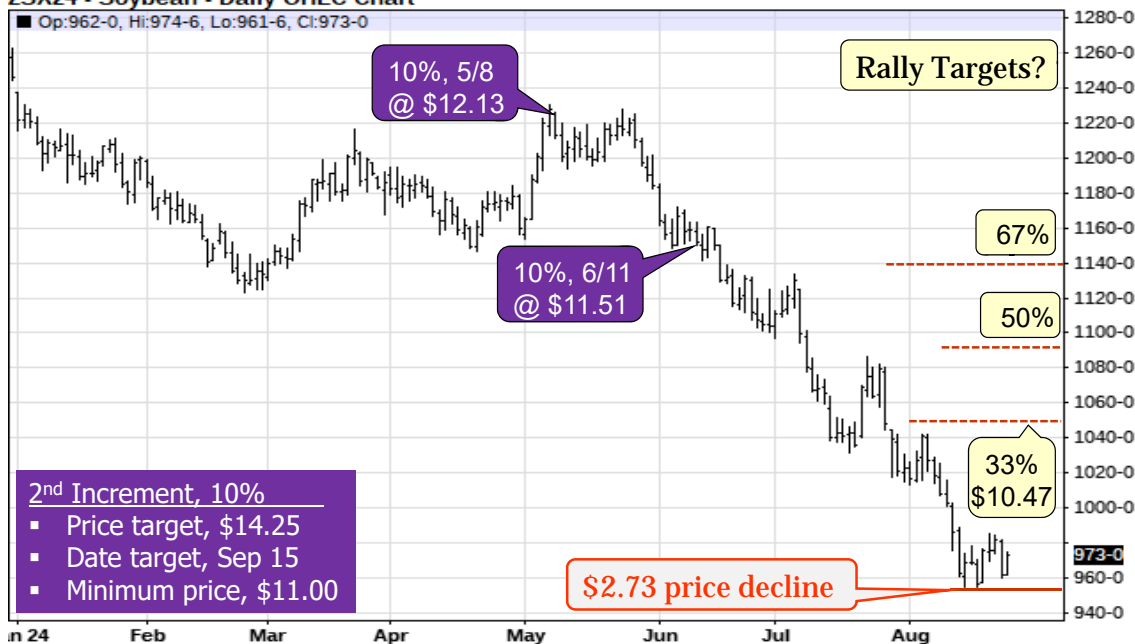
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## 2024 Preharvest Bean Plan Implementation

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

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

ZSX24 - Soybean - Daily OHLC Chart



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2024 Winning the Game Production Cost Estimates			
Crop	Wheat	Corn	Soybeans
Yield	59	157	50
Direct Costs/Bushel	\$3.85	\$2.79	\$5.08
Direct (w/Cash Rent)/Bu.*	\$5.40	\$3.62	\$7.30
Total Costs/Bushel	\$6.68	\$4.37	\$9.36

**Kansas estimates. Includes irrigated and non-irrigated, multiple rotations, weighted by acres planted and region, and based on KSU Ag Economics, Farm Management Guides ([www.AgManager.info](http://www.AgManager.info)).**

\* Direct (w/Cash Rent)/Bu., aims to reflect those farms where a majority of acres are cash rented, and therefore are a "direct cost" that must be paid.



**Direct expenses include crop consulting, additional labor, crop insurance, custom operations, diesel, fertilizer, fungicides, herbicides, misc., repairs & maintenance, operator labor, seed and interest on capital.**

**Fixed expenses include "cash rent," for a land cost and capital recovery (depreciation + interest).**



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2025 WTG Preliminary Production Cost Estimates			
Crop	Wheat	Corn	Soybeans
Yield	59	157	50
Direct Costs/Bushel	\$4.00	\$2.90	\$5.29
Direct (w/Cash Rent)/Bu.	\$5.61	\$3.76	\$7.59
Total Costs/Bushel	\$6.92	\$4.53	\$9.69

**Kansas estimates. Previous year estimates adjusted for inflation.**

**Directs Costs adjusted up 4%**

**Fixed Costs adjusted up 3%**



WHEAT Cost of Production minimum target price converted to a "futures" target price.	<b>Direct Costs</b>	<b>Direct w/Rent</b>	<b>Total Costs</b>	<b>Your Farm</b>
	\$4.00	\$5.61	\$6.92	? ___ ?
	+ a margin \$0.50	\$0.50	\$0.50	? ___ ?
	+ Basis (\$0.05)	(\$0.05)	(\$0.05)	? ___ ?
	= JUL Futures \$4.55	\$6.16	\$7.47	? ___ ?



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# 2025 Preharvest Wheat Marketing

KE - Hard Red Wheat - Monthly OHLC Chart



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## Thank you so much!

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



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# WTG 2024 Postharvest Wheat Example

## 2024 Postharvest Wheat Marketing Plan

1. Sell all uncontracted bushels at harvest and implement a March Call Spread (buying a \$6.20 ATM Call option and selling a \$6.70 OTM Call to reduce the overall cost) on 50% of production). Profit target of \$0.20 to \$0.25, and a date target of January 31, 2025)

Cash/Physical Market	March Futures	Buy a Call Option	Sell a Call Option
30% Forward Contracted \$6.14	\$6.1675	6/28 \$6.20 Call at (\$0.495)	6/28 \$6.70 Call at \$0.335
			<b>(\$0.18)</b>
70% Sold at harvest. WTG will use the July KS average price.	\$5.4825	8/23 \$6.20 Call at \$0.16	8/23 \$6.70 Call at (\$0.09)
		Sell to Exit (\$0.335)	Buy to Exit \$0.245
		Potential exit position	<b>(\$0.09)</b>



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# 2025 Preharvest Corn Marketing

ZC - Corn - Monthly OHLC Chart



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# 2025 Preharvest Soybean Marketing

ZS - Soybean - Monthly OHLC Chart



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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.

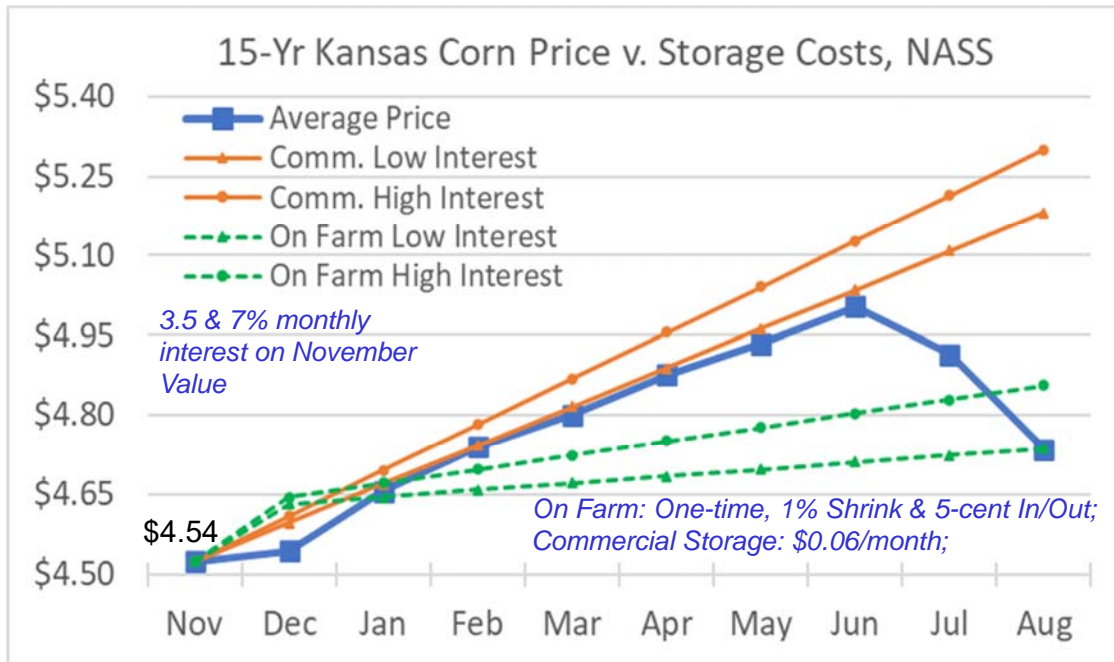
<https://www.cmegroup.com/education/courses/option-strategies/bull-spread.html>



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# Does Storage Pay?

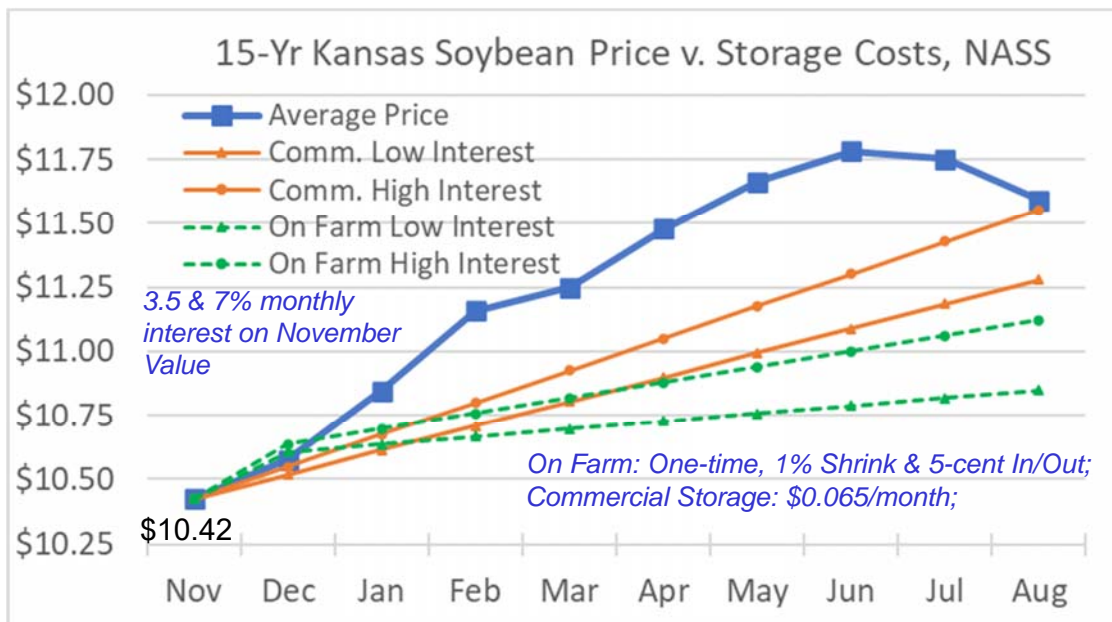
With corn, on average, it's close.



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# Does Storage Pay?

With soybeans, on average, yes.



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# A “Tentative” Pre-Harvest 2025 Wheat Plan

Begin Oct 1, 2024: Buy crop insurance to protect production.  
Maximize price received on bushels sold before, or at harvest.

## Pricing four increments of total expected APH production

- 1 Price 10% at \$5.80 July futures or by Nov 15
- 2 Price 20% at \$6.20 July futures or by Feb 15
- 3 Price 20% at \$6.40 July futures
- 4 Price 25% at \$7.00 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, we'll price up to **75%**.
- If using a “cash” marketing alternative, **NEVER** price at less than \$5.60 (estimated direct cost w/land rent).



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## 2025 Preharvest Wheat Plan Implementation

Plan start: Oct 1  
JUL CME wheat @ ??

KEN25 - Hard Red Wheat - Daily OHLC Chart



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August 26 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



Developed by Dr. Ed Usset  
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## What is a Marketing Plan?

A proactive strategy to price your crop; before, at, and/or after harvest; that considers your financial goals, cash flow, storage capacity, crop insurance, labor, anticipated production, appetite for risk, and price outlook.



### Plan Start Dates

- a) Preharvest plans by January (Oct for wheat).
- b) Postharvest plans in Sep-Oct (May-Jun wheat).
- c) Implementation and “decisions” throughout.



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