



## September 23 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.*



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## Postharvest Marketing Decisions, Decisions, Decisions

First question  
On farm vs. Off-farm storage?

On farm clearly gives you more opportunities to “shop” basis, but . . . . .

On average we see a seasonal increase in KS cash corn prices. This price appreciation comes from either:

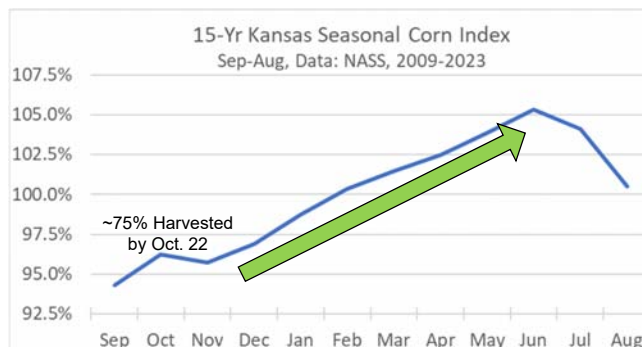
- An overall increase in the futures market that pulls ALL prices higher; and/or;
- Strengthening in basis (i.e., cash prices rising more than futures).

### On-Farm Storage Costs [KSU MF-2474](#)

- Variable (Time, Shrink, Utilities, Repairs, Insecticide and Interest) **One time \$0.05 In/Out + 1% Shrink**
- “Variable Income” (Harvest Time Saved)

### Off-Farm/Commercial Storage Costs

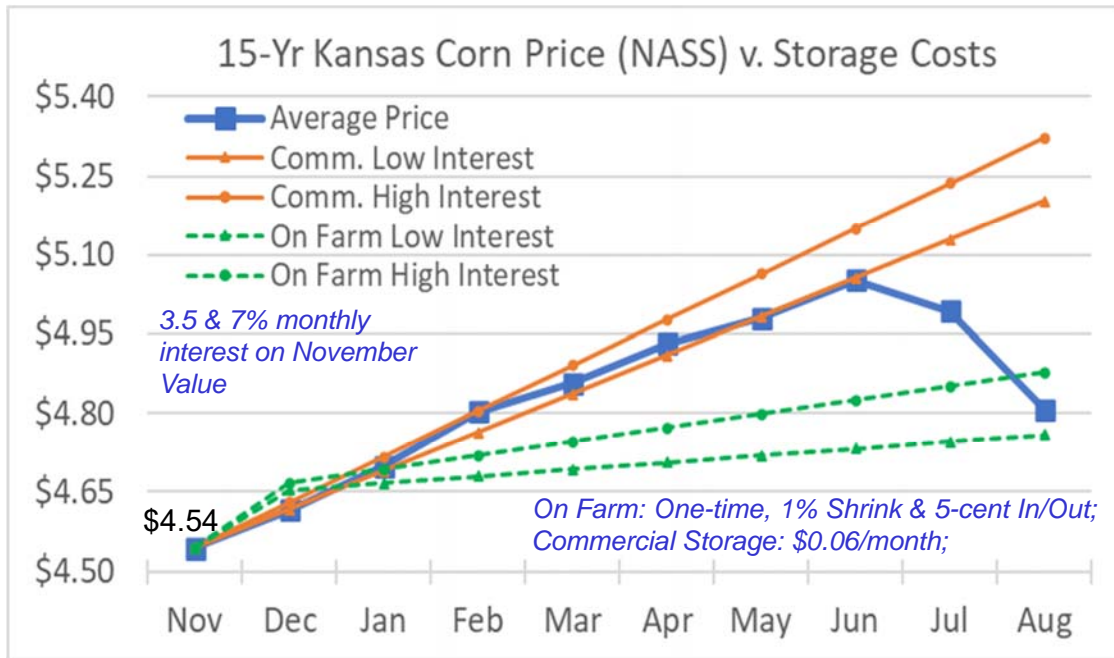
- Variable Costs (Handling Charge and Interest) **\$0.06-\$0.07/bu./mo.**



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# Does Storage Pay?

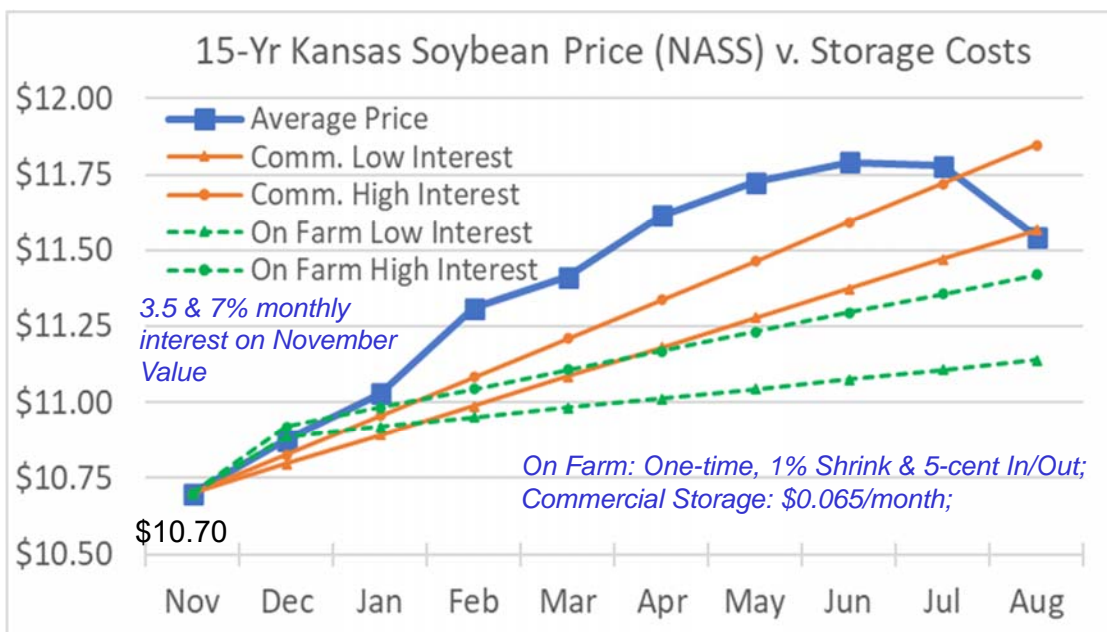
With corn, on average, not bad.



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# Does Storage Pay?

With soybeans, on average, yes.



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# Postharvest Marketing Decisions

## 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)

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

## Questions

1. Who are you selling to?
2. Will prices rally significantly?
3. Is there “carry” in the futures?
4. Will we see basis appreciation?
5. What are my storage costs?



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## Is There Carry in the Futures Market?

CME Group Corn Futures "Carry"			
9/20/24	"carry"	per mo.	
DEC	<b>\$4.0175</b>		
MAR: 3 mo.	<b>\$4.2000</b>	\$0.183	\$0.061
MAY: 2 mo.	<b>\$4.3100</b>	\$0.110	\$0.055
JUL: 2 mo.	<b>\$4.3775</b>	\$0.068	\$0.034
<i>Estimated monthly storage</i>		<i>\$0.08</i>	
\$0.06 commercial storage			
\$0.02 interest cost			

How much greater are deferred futures relative to the harvest time futures price?

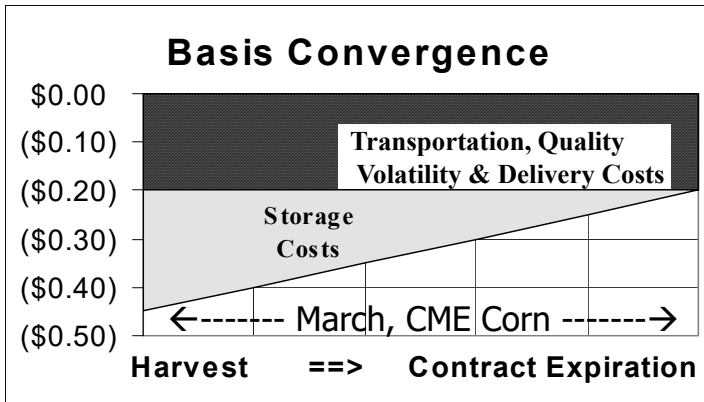
- Currently, the futures carry isn't fully reimbursing you for commercial storage.

Monthly Corn Futures "Carry" Over Time				
	7/1	8/1	9/1	9/20
DEC				
MAR	\$0.048	\$0.056	\$0.060	\$0.061
MAY	\$0.049	\$0.055	\$0.049	\$0.055
JUL	\$0.040	\$0.038	\$0.029	\$0.034
<i>\$0.08 estimated monthly storage cost</i>				



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# Will We See Basis Appreciation?



Appreciation: The concept of cash prices gaining relative to futures prices.

Convergence: The concept that cash bids and futures prices will converge (i.e. basis will become nearly zero) at the contract delivery point during contract expiration.

Examining the Potential for Corn Basis Appreciation						
Commercial Storage Costs Begin December 1st		2/21/2025	Expected	Comm.	Expected	
	Deferred	3-Yr. Avg.	Basis	Storage	Storage	Hedge
MAR Corn Futures	Basis	Basis	Appreciation	Costs	Returns	
Colby - Cornerstone Ag	\$4.12	(\$0.08)	\$0.14	\$0.22	\$0.23	(\$0.01)
Garden City Coop	\$4.22	\$0.02	\$0.47	\$0.45	\$0.23	\$0.23
Concordia East - Ag Mark	\$3.82	(\$0.38)	(\$0.07)	\$0.31	\$0.23	\$0.08
Haven - Producer Ag, MKC	\$3.92	(\$0.28)	\$0.19	\$0.47	\$0.23	\$0.25
Topeka - Gordon, Cargill	\$3.62	(\$0.58)	\$0.05	\$0.64	\$0.23	\$0.41
Chanute - Beachner	\$3.66	(\$0.54)	\$0.19	\$0.73	\$0.23	\$0.51

7% Interest and \$0.06/bu./mo. commercial storage charge



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## Garden City-based, on farm, comparison of 2024 postharvest corn marketing alternatives ~9/20/24

2024 Corn	Postharvest Alternatives			2/19/25		
12/1/2024	(A)	(B)	(C)	\$0.02	2.6	(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	\$4.22	\$4.22	\$4.22	MAR Futures		\$4.20
Buy an Option	MAR => Call		Call	Expected Basis		\$0.470
A-T-M Strike		\$4.20	\$4.20	Interest	6.0%	(\$0.055)
Option Premium		(\$0.18)	(\$0.18)	Mo. Chrg.	\$0.000	\$0.000
Sell an Option	MAR => Call			or 1 time: 1% Shrink and \$0.05 In-Out		(\$0.092)
O-T-M Strike			\$4.70	Storage to date		\$0.00
Option Premium			\$0.05	Expected Price		\$4.51
Minimum Price	\$4.22	\$4.03	\$4.07	Expected Profit		\$0.29
Futures Price to BE w/ (A)		\$4.39	\$4.35			

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

While early, the market is suggesting there's a return to storage, 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.



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

Topeka-based, on farm, comparison of 2024 postharvest soybean marketing alternatives ~9/20/24

2024 Soybean Postharvest Alternatives				2/19/25		
12/1/2024	(A)	(B)	(C)	(\$0.82)	2.6	(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>\$9.62</b>	\$9.62	\$9.62	March Futures		<b>\$10.44</b>
Buy an Option	<b>March</b> => Call	Call	Call	Expected Basis		<b>(\$0.200)</b>
A-T-M Strike		<b>\$10.40</b>	\$10.40	Interest	<b>6.0%</b>	<b>(\$0.125)</b>
Option Premium		<b>(\$0.45)</b>	<b>(\$0.45)</b>	Mo. Chrg.	<b>\$0.000</b>	\$0.000
Sell an Option		March => Call	Call	or 1 time: 1% Shrink and \$0.05 In-Out		<b>(\$0.146)</b>
O-T-M Strike			<b>\$11.00</b>	Storage to date	<b>\$0.00</b>	
Option Premium			<b>\$0.22</b>	Expected Price		<b>\$9.96</b>
Minimum Price	<b>\$9.62</b>	<b>\$9.16</b>	<b>\$9.37</b>	Expected Profit		<b>\$0.34</b>
Futures Price to BE w/ (A)		<b>\$10.86</b>	<b>\$10.65</b>			

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

While early, the market is suggesting there's a return to storage, 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.*



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.



## Quick Review

Of a few previously shared marketing plans:

- 1) 2024 Postharvest Wheat Plan
- 2) 2024 Preharvest Corn Plan
- 3) 2024 Preharvest Soybean Plan
- 4) 2025 Preharvest Wheat Plan



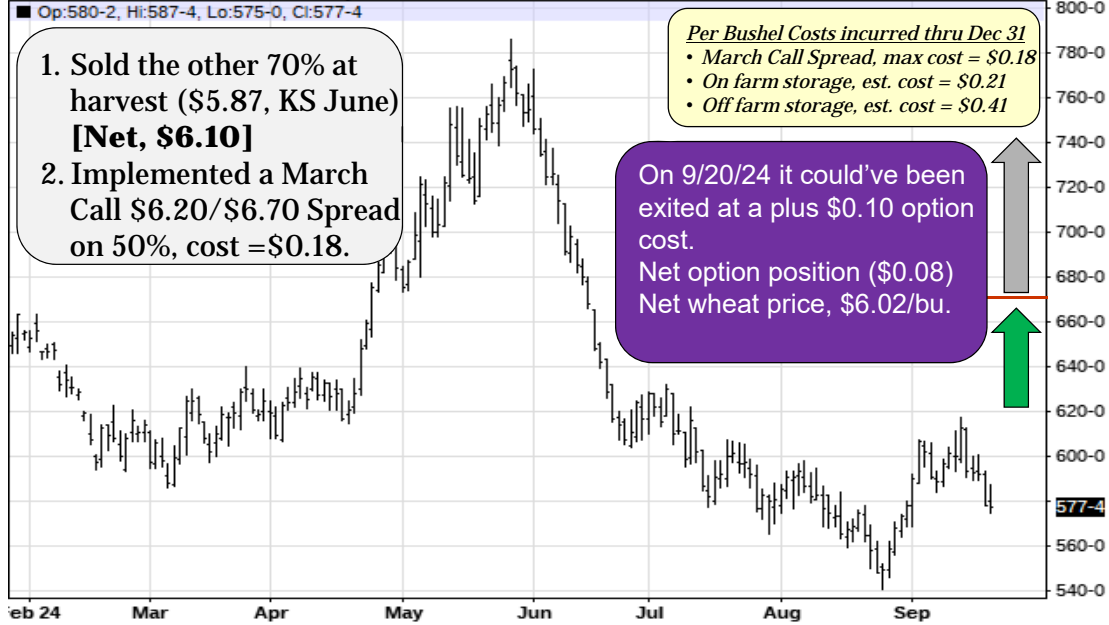
Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 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 \$6.64.

KEH25 - Hard Red Wheat - Daily OHLC Chart



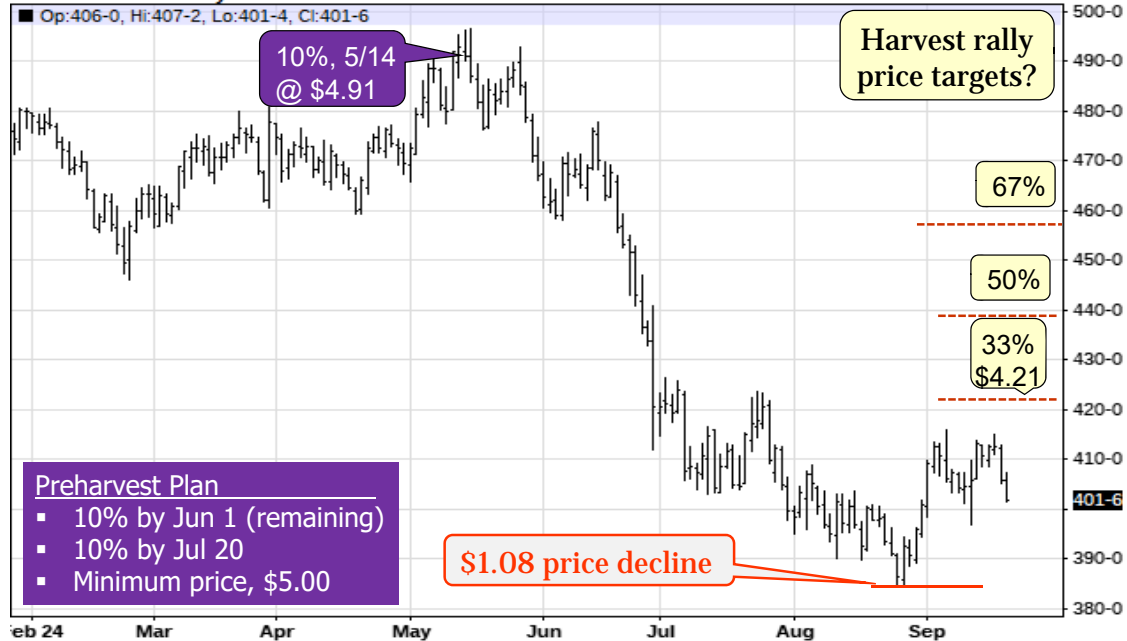
Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 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



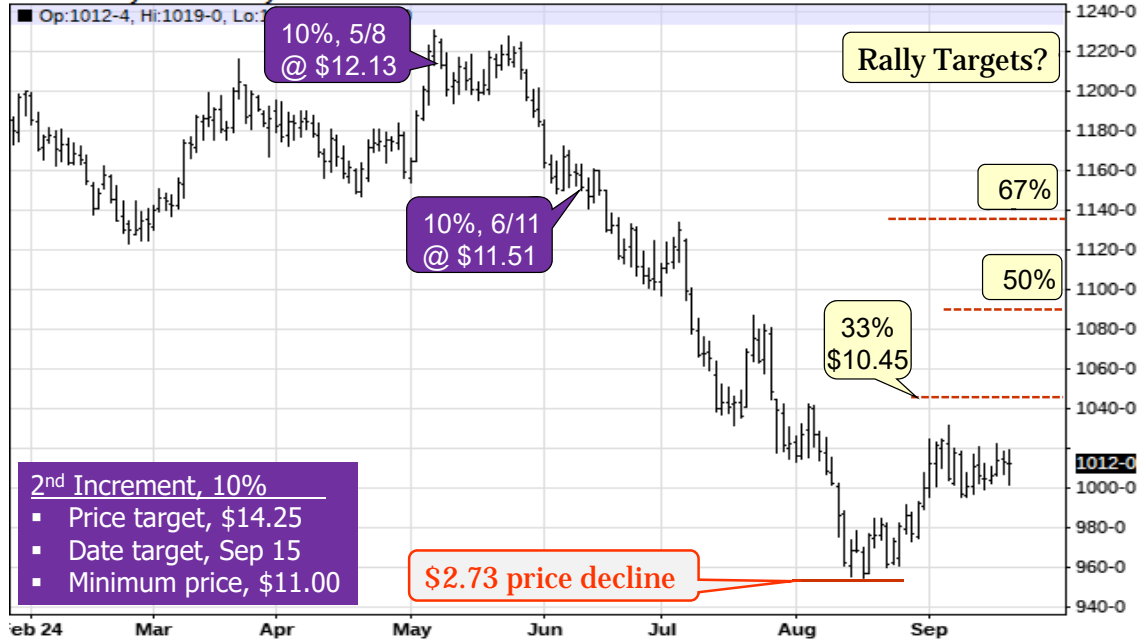
Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 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



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## 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<sup>60</sup> July futures or by Feb 15
- 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).



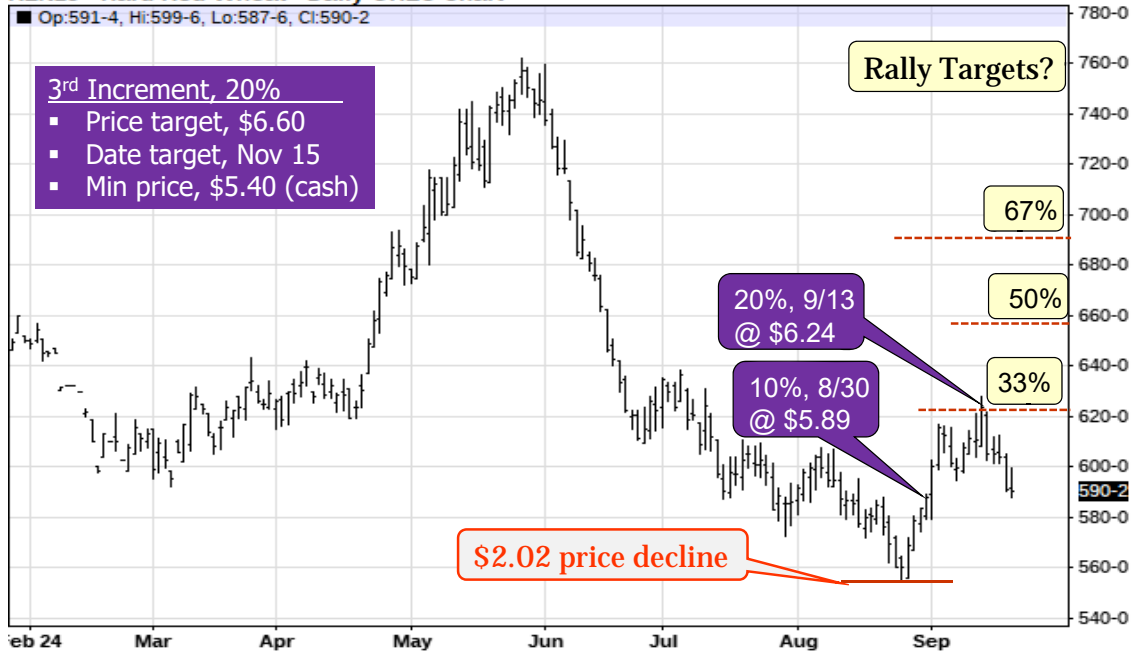
Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 2025 Preharvest Wheat Plan Implementation

Plan start: Oct 1  
JUL CME wheat @ ??

30% of expected production priced at  
an avg. \$6.12 CME 2025 July Wheat

**KEN25 - Hard Red Wheat - Daily OHLC Chart**



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.



Mark Nelson  
Director of Commodities  
Kansas Farm Bureau

[nelsonm@kfb.org](mailto:nelsonm@kfb.org)

X @Nelz360



## Thank you so much!

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



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.



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).**



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

2025 WTG Preliminary 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

**Composite of KSU Farm Management Guide estimates.**

**Directs Costs adjusted up 0% for inflation vs. year ago.**  
**Fixed Costs adjusted up 0% for inflation vs. year ago.**

WHEAT Cost of Production minimum target price converted to a "futures" target price.	<u>Direct Costs</u>	<u>Direct w/Rent</u>	<u>Total Costs</u>	<u>Your Farm</u>
	\$3.85	\$5.40	\$6.68	? ___ ?
	+ a margin \$0.50	\$0.50	\$0.50	? ___ ?
	- Basis (\$0.05)	(\$0.05)	(\$0.05)	? ___ ?
	= JUL Futures \$4.40	\$5.95	\$7.23	? ___ ?



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## 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



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## 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.

Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 2025 Preharvest Wheat Marketing

KE - Hard Red Wheat - Monthly OHLC Chart



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 2025 Preharvest Corn Marketing

ZC - Corn - Monthly OHLC Chart



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# 2025 Preharvest Soybean Marketing

ZS - Soybean - Monthly OHLC Chart



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

## 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>



Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.

# **WINNING THE GAME™** September 23 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

Copyright © 2017 Center for Farm Financial Management, University of Minnesota. All rights reserved.