



Launch Your Preharvest Marketing Plan

**WOW! What a year to be talking
preharvest marketing plans.**



NORTH CENTRAL
EXTENSION
RISK
MANAGEMENT
EDUCATION

Developed by Ed Usset, University of Minnesota



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Launch Your Preharvest Marketing Plan

1. Examined the Key Elements
 - Price Targets
 - To outline our pricing goals
 - Cost of production, and it's role
 - Pricing Increments
 - The number of times & bushels to price/sell over the preharvest period
 - Pricing Dates
 - To drive implementation



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✓ What's a Realistic Max Price Target?

Let's start with the seasonals

Assuming we simply use the January 1 price as our Min Price, \$5.475

Fifteen Years: CME December Corn Futures

2007/21	Jan 1 Price	Preharvest Max Price	Change	Percent Change
2007	\$3.62	\$4.28	\$0.66	18%
2008	\$4.80	\$7.88	\$3.08	64%
2009	\$4.56	\$4.73	\$0.17	4%
2010	\$4.45	\$5.22	\$0.77	17%
2011	\$5.53	\$7.75	\$2.23	40%
2012	\$5.90	\$8.39	\$2.49	42%
2013	\$5.92	\$5.94	\$0.01	0%
2014	\$4.48	\$5.13	\$0.65	14%
2015	\$4.20	\$4.52	\$0.32	8%
2016	\$3.77	\$4.49	\$0.72	19%
2017	\$3.84	\$4.15	\$0.31	8%
2018	\$3.87	\$4.27	\$0.40	10%
2019	\$3.98	\$4.69	\$0.70	18%
2020	\$4.05	\$4.05	\$0.00	0%
2021	\$4.35	\$6.37	\$2.02	46%



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✓ Price Targets

Let's put 'em i

2022 \$5.48 \$6.25 \$0.77
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27% of the time; prices rise \$2.00 or more (>40%)

67% of the time; prices rise \$0.40 or more (>10%)

87% of the time; prices rise \$0.17 or MORE

13% of the time; there was no change



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OUR Pre-Harvest Marketing Plan Decision dates

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
- Price 10,000 bushels at \$5.90 futures, or by April 15
- Price 10,000 bushels at \$6.30 futures, or by May 15
- Price 10,000 bushels at \$6.70 futures, or by Jun 15
- Price 10,000 bushels at \$7.10 futures, or by Jul 15
- Price 10,000 bushels at \$7.50 futures, or by Aug 15

Your bushels

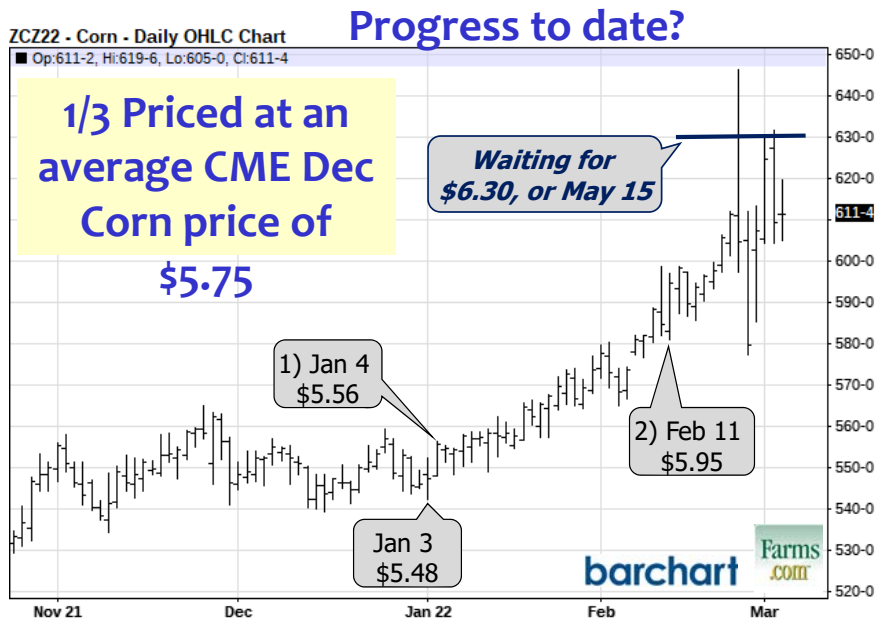
Plan starts on January 1, 2022.

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

Exit all options positions by October 1, 2022.



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Remember this Slide?

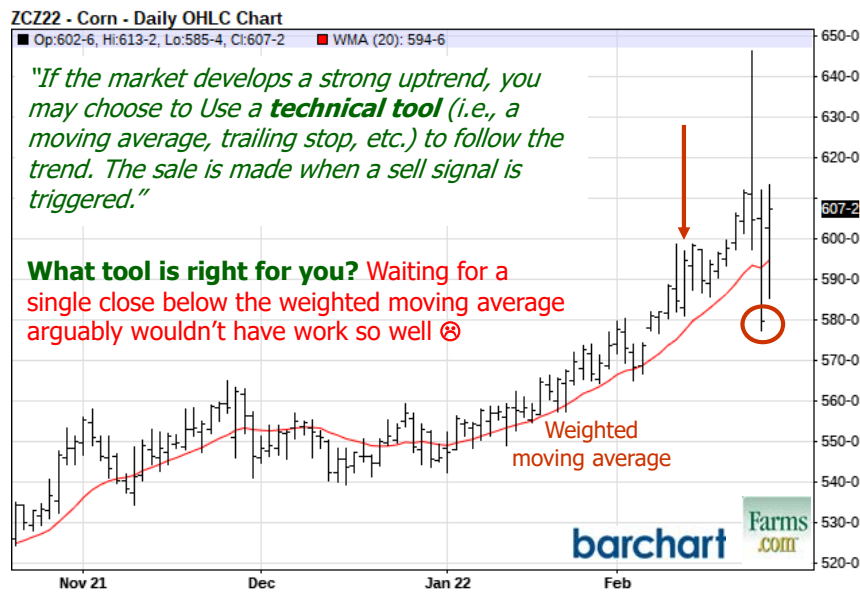
Can I change my preharvest plan?

Yes, if something changes and the market develops a strong uptrend, you may choose to:

- ✓ Use a **technical tool** (i.e., a moving average, trailing stop, etc.) to follow the trend. The sale is made when a sell signal is triggered. **Technical tools offer a disciplined & flexible way to change your plan BUT they don't always work.** *What's Yours?*
- ✓ Make the sale and **re-own or supplement with call options** (i.e., turn it into minimum price contract). **Another disciplined & flexible way to change your plan BUT timing, strike price and premium are IMPORTANT!**



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