

Beginning Farmer Marketing Agenda

Quizzes

Marketing Mistakes

Basics of Commodity Marketing Information

Cost of Production-Calculating-Next Meeting

Development of Marketing Plan-Next Meeting

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Quick Quiz

- Which farmer is the most profitable per acre with Spring Wheat at \$6.00 per bushel?
- Farmer A- Cost of Production per bushel at \$5.74, yield 75 bu
- Farmer B- Cost of Production per bushel at \$5.70, yield 65 bu
- Which farm was most profitable?
- Farmer B has profit +\$0.30 per bushel or \$19.5 per acre net return
- Farmer A has profit +\$0.26 per bushel or \$19.5 per acre net return

Quiz #2

- ▶ Which farmer is the more profitable per bushel, Farmer A that got \$4.00 for his corn or Farmer B that got \$3.90?
- ▶ What if Farmer A has a cost per bushel of \$4.05 and Farmer B has a cost per bushel of \$3.75?
- ▶ Farmer A lost \$0.05 per bushel while Farmer B made \$0.15.

Common Marketing Mistakes/Issues

- ▶ 1. Not having a plan.
- ▶ 2. Not following a plan if you have one.
- ▶ 3. Thinking storage will gain you money without a plan/strategy.
- ▶ 4. Not understanding/knowing your cost of production.
- ▶ 5. Not updating your cost of production periodically.
- ▶ 6. Waiting for the highest price to sell.
- ▶ 7. Not being flexible with your plan and pricing levels.
- ▶ 8. Not understanding the kinds of tools available for marketing along with risks/rewards with each tool.
- ▶ 9. Selling only on emotion.
- ▶ 10. Selling when I need cash.



OOPS!

Common Marketing Mistakes/Issues

- ▶ 11. Leaving grain in commercial storage indefinitely
- ▶ 12. Using complicated contracts they don't understand
- ▶ 13. Trying to beat the odds
- ▶ 14. Rolling basis contracts forward in a carry market.
- ▶ 15. Not selling enough/
Selling in too small of increments for the volume of commodity raised.



OOPS!

2019 Sales Averages

Sept 1, 2019-Aug 30, 2020

- Corn: 24,889,289 bu Average Price: **\$3.07**
 - Futures High: \$4.73, Cash High: \$4.43
- Soybeans: 12,027,336 bu Average Price: **\$8.07**
 - Futures High: \$9.80, Cash High: \$9.25
- Wheat: 11,219,1056 bu Average Price: **\$ 5.16**
 - Futures High: \$5.93, Cash High: \$5.83

2020 Sales Averages 9-1-20 thru 5-25-21

- ← Corn: 23,081,806 bu Average Price: **\$4.06**
- ← \$7.35 Futures High; Cash High (\$7.60)
- ← Soybeans: 14,119,205 bu Average Price: **\$9.63**
 - ▶ – \$16.67 Futures High; Cash High (\$16.32)
- ← Wheat: 13,720,373 bu Average Price: **\$5.49**
 - ▶ – \$8.07 Futures High; Cash High (\$7.77)

2021 New crop Sales as of June 7, 2021

- ▶ Corn: Dec 21 6,985,400 at \$4.61 Cash avg
- ▶ Mar 22 1,000,000 at 5.28 Cash avg (app. 35% of 2020)
- ▶ Soybeans Nov 21 5,386,600 at 11.54 Cash (app 38% of 2020)
- ▶ Wheat (app 24% of 2020 Sales)
 - ▶ Sep 21 Cash 1,207,600 at 6.49 Cash
 - ▶ Sep 21 Futures 1,225,000 at 6.40
 - ▶ Dec 21 Futures 741,000 at 6.43
 - ▶ Mar 22 Futures 101,000 at 6.91

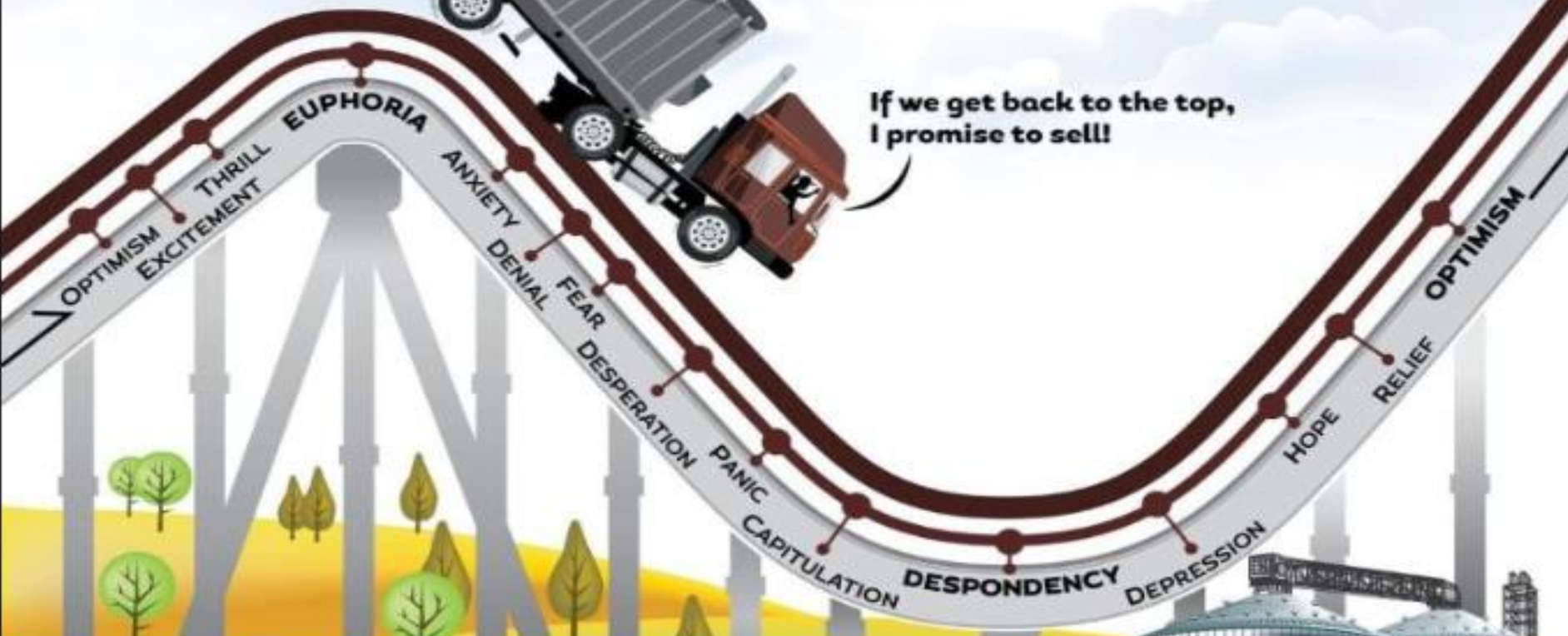


GRAIN MARKETING

Roller Coaster



If we get back to the top, I promise to sell!



Commodity Prices

- Futures Market: CME/CBOT
 - Hours: Day Trade: 8:30 am to 1:20 pm
Overnight: 7:00 pm to 7:45 am
 - Price in $\frac{1}{4}$ cent per bushel (2,4,6)
 - 3.852 is 3.8525
 - 3854 is 3.855
 - 3856 is 3.8575
 - Contracts: 5000 Bushels
 - Cash Price: Futures – Basis
 - $3.85 - .55 = 3.30$ Cash Price
 - Basis offer must match contract month.

Corn Contract Months

- ▶ March-H
- ▶ May-K
- ▶ July-N
- ▶ September-U
- ▶ December-Z-New Crop Month

ELEC. CORN (@C) [10 Minute Delay] Spread Matrix | Symbol Search | Symbol Lookup

More Info		Month	Last	Chg	% Chg	Open	High	Low	Previous	Volume	Open Int
chart	options	Dec-18	374'4	2'4	0.67	371'6	374'4	371'4	372'0	2299	3894
chart	serial options	Jan-19	---	---	0	---	25 Cent Limit Move/40c				---
chart	serial options	Feb-19	---	---	0	---	---	---	---	---	---
chart	options	Mar-19	385'2	2'4	0.65	382'4	385'6	382'2	382'6	178902	845905
chart	options	May-19	392'6	2'6	0.71	389'6	393'0	389'6	390'0	46929	209539
chart	options	Jul-19	399'0	2'6	0.69	396'2	399'2	396'0	396'2	34756	198516
chart	options	Sep-19	399'0	2'2	0.57	396'4	399'2	396'2	396'6	11367	96067
chart	options	Dec-19	403'2	2'0	0.5	401'0	403'4	400'6	401'2	18133	197047
chart	options	Mar-20	412'2	1'6	0.43	410'0	412'4	409'6	410'4	821	11472
chart	options	May-20	417'4	2'0	0.48	417'4	417'4	417'4	415'4	46	1659
chart	options	Jul-20	421'0	1'2	0.3	419'6	421'4	419'6	419'6	231	4633
chart	options	Sep-20	413'2s	-0'6	-0.18	414'0	414'0	412'2	414'0	51	659
chart	options	Dec-20	415'2	0'2	0.06	414'6	417'4	414'0	415'0	138	6377
chart	options	Jul-21	429'6s	0'0	0	---	---	---	429'6	0	119
chart	options	Dec-21	416'0s	-1'6	-0.42	418'0	418'0	416'0	417'6	7	245

Soybean Contract Months

- ▶ January-F
- ▶ March-H
- ▶ May-K
- ▶ July-N
- ▶ August-Q
- ▶ September-U
- ▶ November-X-New Crop Month

ELEC. SOYBEANS (@S) [10 Minute Delay] Spread Matrix | Symbol Search | Symbol Lookup

More Info		Month	Last	Chg	% Chg	Open	High	Low	Previous	Volume	Open Int
chart	options	Jan-19	914'4	5'0	0.55	910'0	917'4	907'4	909'4	127436	249602
chart	serial options	Feb-19	---	---	0	---	---	---	---	---	---
chart	options	Mar-19	927'2	5'2	0.57	922'2	929'6	919'2	922'0	67920	207573
chart	options	May-19	939'4	5'0	0.54	935'0	942'2	932'2	934'4	19333	113471
chart	options	Jul-19	950'6	4'4	0.48	946'6	70 Cent Limit Move/\$1.00				16
chart	options	Aug-19	957'2	7'0	0.74	951'2	957'2	948'4	950'2	1263	8775
chart	options	Sep-19	956'4	6'0	0.63	953'2	957'0	951'0	950'4	787	3252
chart	options	Nov-19	958'4	4'0	0.42	954'4	960'4	952'0	954'4	8265	46277
chart	options	Jan-20	967'4	4'2	0.44	965'0	969'0	963'0	963'2	147	1448
chart	options	Mar-20	975'2	4'4	0.46	975'0	975'2	975'0	970'6	178	857
chart	options	May-20	978'0s	-1'0	-0.1	970'2	974'6	970'2	979'0	64	318
chart	options	Jul-20	991'0	4'0	0.41	987'0	991'0	985'0	987'0	75	571
chart	options	Aug-20	988'2s	-0'6	-0.08	---	---	---	989'0	0	43
chart	options	Sep-20	977'0s	-3'6	-0.38	---	---	---	980'6	0	50
chart	options	Nov-20	976'4	5'0	0.51	975'0	976'4	975'0	971'4	67	916
chart	options	Jan-21	973'4s	-1'6	-0.18	---	---	---	975'2	0	0
chart	options	Mar-21	973'4s	-1'6	-0.18	---	---	---	975'2	0	0
chart	options	May-21	973'4s	-1'6	-0.18	---	---	---	975'2	0	0
chart	options	Jul-21	993'6s	-1'6	-0.18	---	---	---	995'4	0	25
chart	options	Aug-21	993'6s	-1'6	-0.18	---	---	---	995'4	0	0
chart	options	Sep-21	993'6s	-1'6	-0.18	---	---	---	995'4	0	0
chart	options	Nov-21	982'2s	-0'4	-0.05	---	---	---	982'6	0	35
chart	options	Jul-22	982'2s	-0'4	-0.05	---	---	---	982'6	0	0
chart	options	Nov-22	982'2s	-0'4	-0.05	---	---	---	982'6	0	0

Spring Wheat Contract Months

- ▶ March-H
- ▶ May-K
- ▶ July-N
- ▶ September-U-New Crop Month
- ▶ December-Z

ELEC. HRS WHEAT (@MW) [10 Minute Delay] [Spread Matrix](#) | [Symbol Search](#) | [Symbol Lookup](#)


More Info		Month	Last	Chg	% Chg	Open	High	Low	Previous	Volume	Open Int
chart	options	Dec-18	578'0s	-6'2	-1.07	584'2	584'4	579'4	584'2	27	23
chart	options	Mar-19	576'0	6'6	1.19	569'6	576'6	569'0	569'2	5110	26573
chart	options	May-19	579'6	5'4	0.96	574'2	580'0	579'0	579'0	0	064
chart	options	Jul-19	585'2	4'4	0.77	582'0	586'0	581'0	580'6	511	3757
chart	options	Sep-19	593'4	5'2	0.89	588'6	593'4	588'6	588'2	338	4650
chart	options	Dec-19	604'0	3'6	0.62	600'4	604'2	600'4	600'2	463	2749
chart	options	Mar-20	608'0s	-0'2	-0.04	606'4	608'0	606'4	608'2	15	142
chart	options	May-20	614'0s	-1'0	-0.16	---	---	---	615'0	0	5
chart	options	Jul-20	---	---	0	---	---	---	---	0	0

60 Cent Limit Move


Futures Detail

DAY CORN (C) [10 minute delay] [Spread Matrix](#) | [Future Symbol Search](#) | [Symbol Lookup](#)

More Info	Month	Last	Chg	Open	High	Low	Volume	Open Int
chart options	Sep-10	417'6	-0'6	421'4	423'0	417'0	72344	177510
chart options	Dec-10	432'6	-0'4	435'6	437'4	431'4	156762	760464
chart options	Mar-11	448'2	2'2	448'4	449'4	445'4	21887	152089
chart options	May-11	455'0	2'2	454'0	455'0	452'0	5472	32148
chart options	Jul-11	457'2	-1'4	461'0	461'0	457'2	13202	84786
chart options	Sep-11	448'2s	0'4	445'0	450'0	445'0	3596	11612
chart options	Dec-11	439'0	-0'6	439'0	439'0	437'0	18210	114913
chart options	Mar-12	449'6s	-1'6	451'0	453'0	451'0	528	7224
chart options	May-12	455'6s	-2'0	---	---	---	41	1248
chart options	Jul-12	460'2s	-2'4	---	---	---	332	3758





 Carry or Spread: Difference in price between contract months.

 Volume: Number of contracts Traded





 Open Interest: Number of outstanding contracts at the end of the day: Number that have not be offset. $177510 * 5000 = 887,550,000$ million bushels



CORN

Delivery Date	Futures Price	Futures Month	Basis	Cash Price	Futures Change
 Feb-Apr	385'2	@C0K	-0.52	3.33 	3'2
 Oct-Nov	391'6	@C0Z	-0.67	3.25 	3'0

SOYBEANS

Delivery Date	Futures Price	Futures Month	Basis	Cash Price	Futures Change
 Feb-Apr	904'2	@S0K	-1.07	7.97 	1'0
 Oct	923'2	@S0X	-0.87	8.36 	0'6

Types of Pricing Orders

- Market
- Day Order
- Good till Cancel: GTC Limit
- Others(Stop, Stop Limit, MIT)

The screenshot shows an "Order Form" window with the following details:

- Account:** SELECT ACCOUNT... (dropdown)
- Fut/Opt:** Future (dropdown)
- Duration:** GTC (dropdown)
- Single/Spread:** 1 - Single (dropdown)
- Buy/Sell:** Sell (dropdown)
- Quantity:** 1 (spinner)
- Symbol:** MWE - MGEX HRS Wheat (dropdown)
- MonthYear:** H19 (dropdown)
- Order Type:** Limit (dropdown)
- Price:** 5900 (spinner)

Last	High	Low	Chg	Bid	Ask	Time
5784 (2)	5790	5690	92	5784 (52)	5790 (6)	10:32:10 am

Additional fields include Giveup, FYI (Brad Doe/Randy), OB, DRT, DRT Value, and buttons for Reset Form, Create Template, Add to Grid, Park Order, and Submit Order (F7).

Carry Market (Contango)

- The distant delivery futures months are higher than the nearby futures.

ELEC. CORN (@C) [10 Minute Delay] Spread Matrix Sym		Month	Last	Chg	%
chart	options	Dec-18	374'4	2'4	
chart	serial options	Jan-19	---	---	
chart	serial options	Feb-19	---	---	
chart	options	Mar-19	385'2	2'4	
chart	options	May-19	392'6	2'6	
chart	options	Jul-19	399'0	2'6	
chart	options	Sep-19	399'0	2'2	
chart	options	Dec-19	403'2	2'0	

+ .09

+ .25

+ .07

+ .07

+ .00

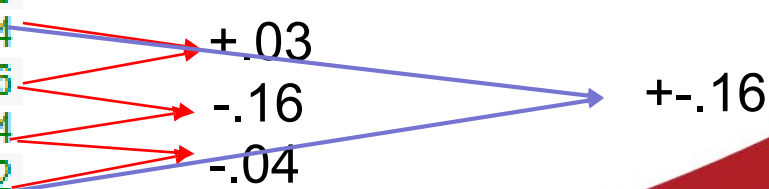
+ .04



Inverted Market (Backwardization)

- When the nearby price is higher than the distant months.

ELEC. SOYBEANS (@S) [0 Minute Delay] Spread Matr		Month	Last	Chg
chart	serial options	Jun-18	---	---
chart	options	Jul-18	1025'2s	26'6
chart	options	Aug-18	1029'0s	26'4
chart	options	Sep-18	1030'2s	25'6
chart	options	Nov-18	1033'6s	25'4
chart	options	Jan-19	1037'0s	24'6
chart	options	Mar-19	1021'2s	23'4
chart	options	May-19	1017'4s	23'2
chart	options	Jul-19	1022'4s	22'6
chart	options	Aug-19	1017'0s	20'4
chart	options	Sep-19	999'4s	20'4
chart	options	Nov-19	988'4s	18'4



Marketing Terms

- Bull-Horns Up-Expect Price to go up
- Bear-Claws Down-Expect Price to go down
- Long-Bought commodity
- Short-Sold commodity
- Speculator-(Someone who tries to profit on market moves)-Market participant assume the market price risk and add liquidity and capital to futures markets.
- Hedger-(Will have or wants the commodity) Someone who is offsetting price risk in cash market by taking futures position

Positions and Price Movement

LONG = BUY/Own commodity
Price Up = Money UP
Price Down - Money Down

SHORT = SELL/Need commodity
Price Up = Money Down
Price Down = Money Up

Buyer buy in futures and Sellers sell futures
Buy LOW-Sell HIGH

Fundamental Analysis

- The study of supply and demand information to aid in anticipating futures price trends.
- Factors that affect Supply and Demand
 - Weather
 - Production
 - Usage
 - Exports
 - Crop Reports/Crop Conditions
 - Others

<u>Corn</u>	Oct 11	Nov 8	Change	Oct 11	Nov 8	Change
	2017/18	2017/18		2018/19	2018/19	
Planted Acres	90.2	90.2	0.0	89.1	89.1	0.0
Harvested Acres	82.7	82.7	0.0	81.8	81.8	0.0
Yield	176.6	176.6	0.0	180.7	178.9	-1.8
Beginning Stocks	2293	2293	0	2140	2140	0
Production	14604	14604	0	14778	14626	-152
Imports	36	36	0	50	50	0
Total Supply	16934	16934	0	16968	16816	-152
Feed/Residual	5302	5298	-4	5550	5500	-50
Food/Seed/Industrial	7054	7058	4	7130	7130	0
Ethanol	5601	5605	4	5650	5650	0
Domestic Use	12355	12355	0	12680	12630	-50
Exports	2438	2438	0	2475	2450	-25
Total Use	14793	14793	0	15155	15080	-75
Ending Stocks	2140	2140	0	1813	1736	-77
Stocks/Use Ratio	14.5%	14.5%		12.0%	11.5%	
Avg. Farm Price (c/lb.)	3.36	3.36		3.00-4.00	3.20-4.00	

STOP June 10th Meeting and
review handouts and
questionnaire