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IOWA FARM BUREAU

How to Write a Post-Harvest Marketing Plan

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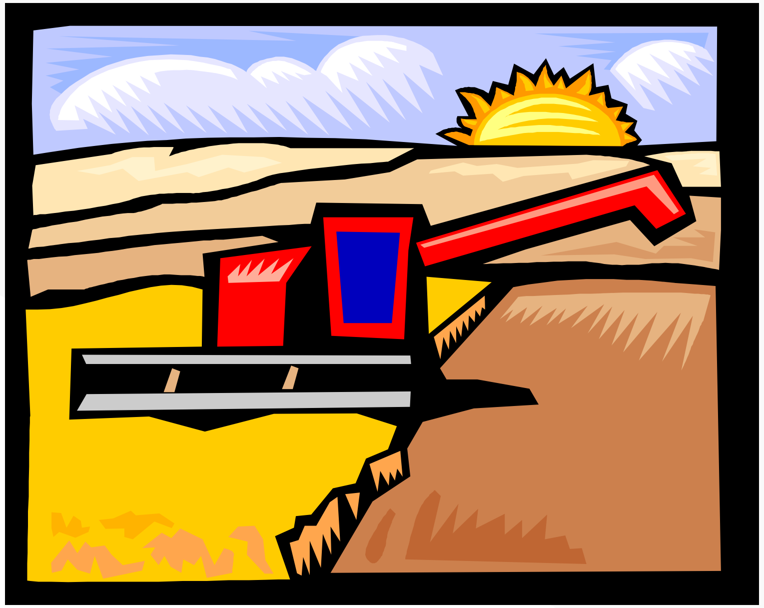
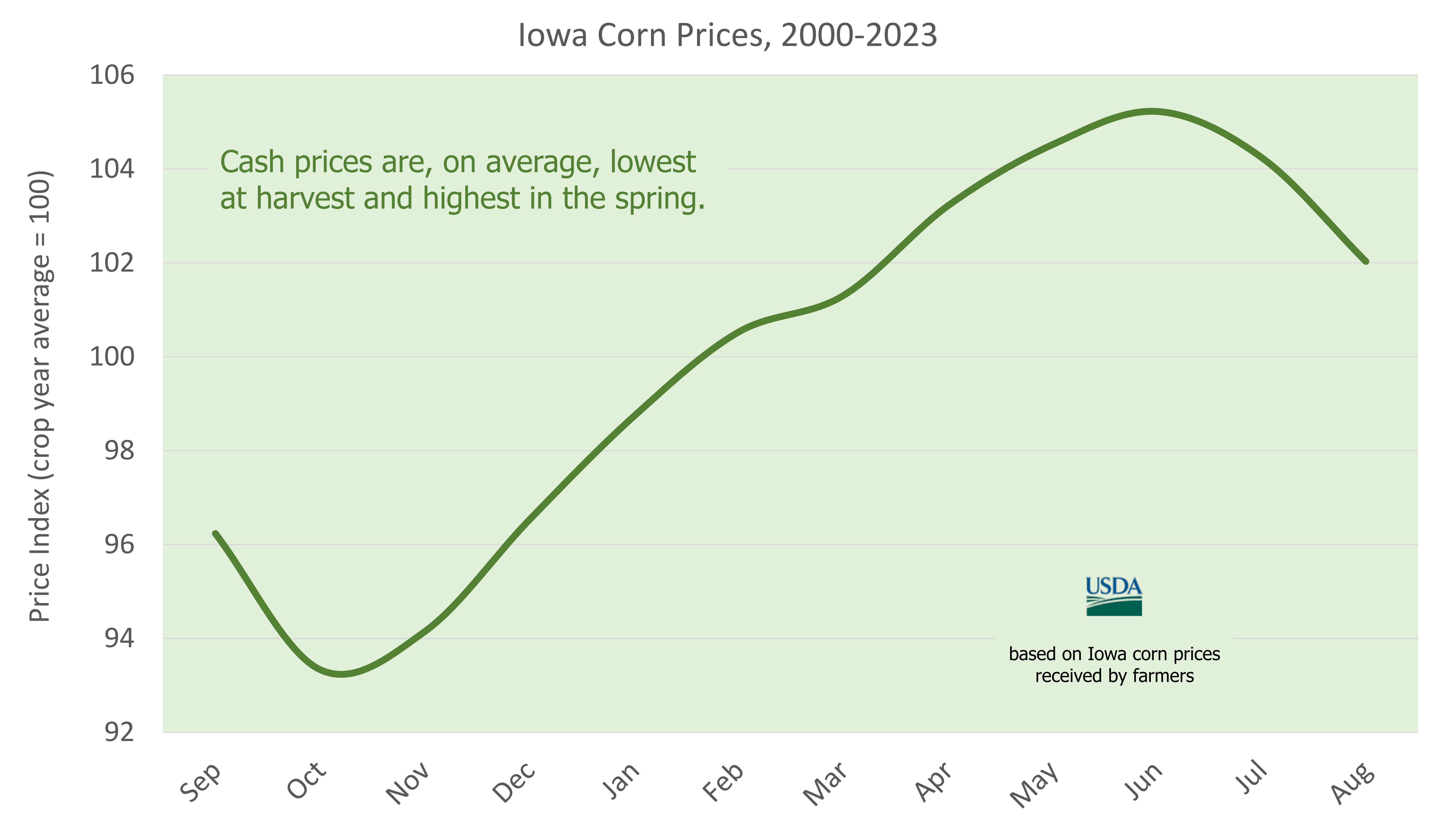
Farm Futures Columnist



How to Write a Post-Harvest Marketing Plan

Behold two seasonal price patterns that have held true for decades!


Iowa Corn Prices, 2000-2023
Cash prices are, on average, lowest
at harvest and highest in the spring.
Price Index (crop year average = 100)
106
104
102
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98
96
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92
Sep
Oct
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Dec
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May
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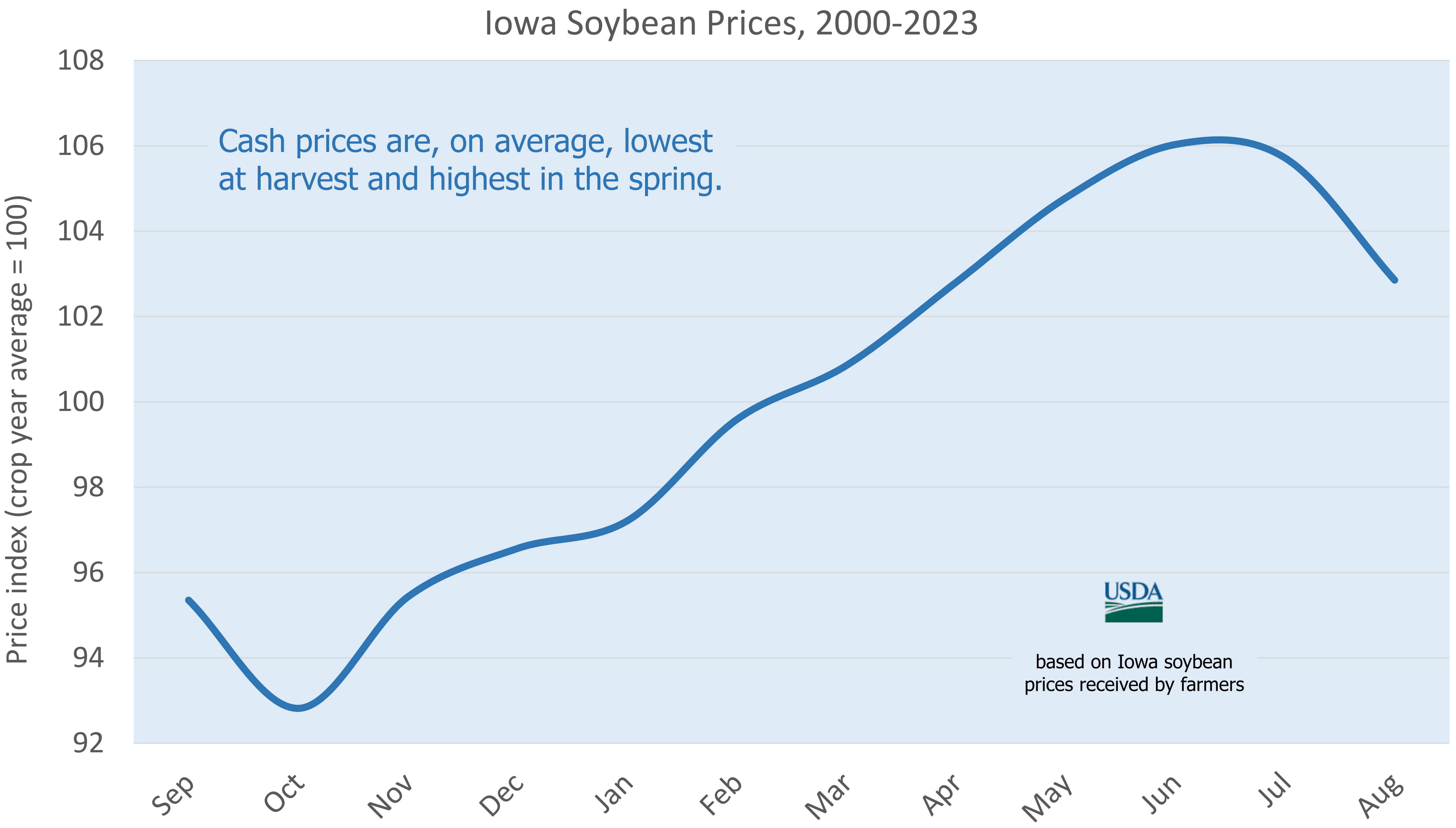
USDA
based on Iowa corn prices
received by farmers


Iowa Soybean Prices, 2000-2023
Price index (crop year average = 100)
108
106
104
102
100
98
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94
92
Cash prices are, on average, lowest
at harvest and highest in the spring.
USDA
based on Iowa soybean
prices received by farmers
Sep
Oct
Nov
Dec
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug

POST-HARVEST MARKETING IS DIFFERENT!

Pre-harvest marketing is **strategic**	Post-harvest marketing is **tactical**
• A plan is forward looking and may be written up to two years prior to harvest	• A plan is written at harvest, based on basis and carrying charges
• Production costs establish minimum price objectives	• Production costs are not considered in the plan
• **Seasonal patterns point to AMJ as a good time for action**	• **Seasonal patterns point to AMJ as a good time for action**

HOW TO WRITE A POST-HARVEST MARKETING PLAN

- Post-harvest marketing choices
- What would Earl do?
- Write a post-harvest marketing plan

HOW TO WRITE A POST-HARVEST MARKETING PLAN

- Post-harvest marketing choices
- What would Earl do?
- Write a post-harvest marketing plan

POST-HARVEST MARKETING PLAN FOR CORN

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced grain beyond July 1.

Harvest: Price and deliver ____________ bushels (no storage), and ____________ bushels (good price).

Re-own ___________ bushels with an options strategy tbd

Store ____________ bushels of unpriced grain for later sale.

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Bushels not priced by ___________ will be sold _______________________

Sell if the price falls below $_____________________

Store and sell the carry on ____________ bushels with a pricing tool tbd.

Lock the basis on _________ bushels at _____ cents under the _______ contract, or by _____________ at the current basis

Center for Farm Financial Management

POST-HARVEST MARKETING CHOICES…

- Sell grain at harvest
- Hold grain in storage to sell later
- Hold grain in storage and “sell the carry”

How do I make a choice?

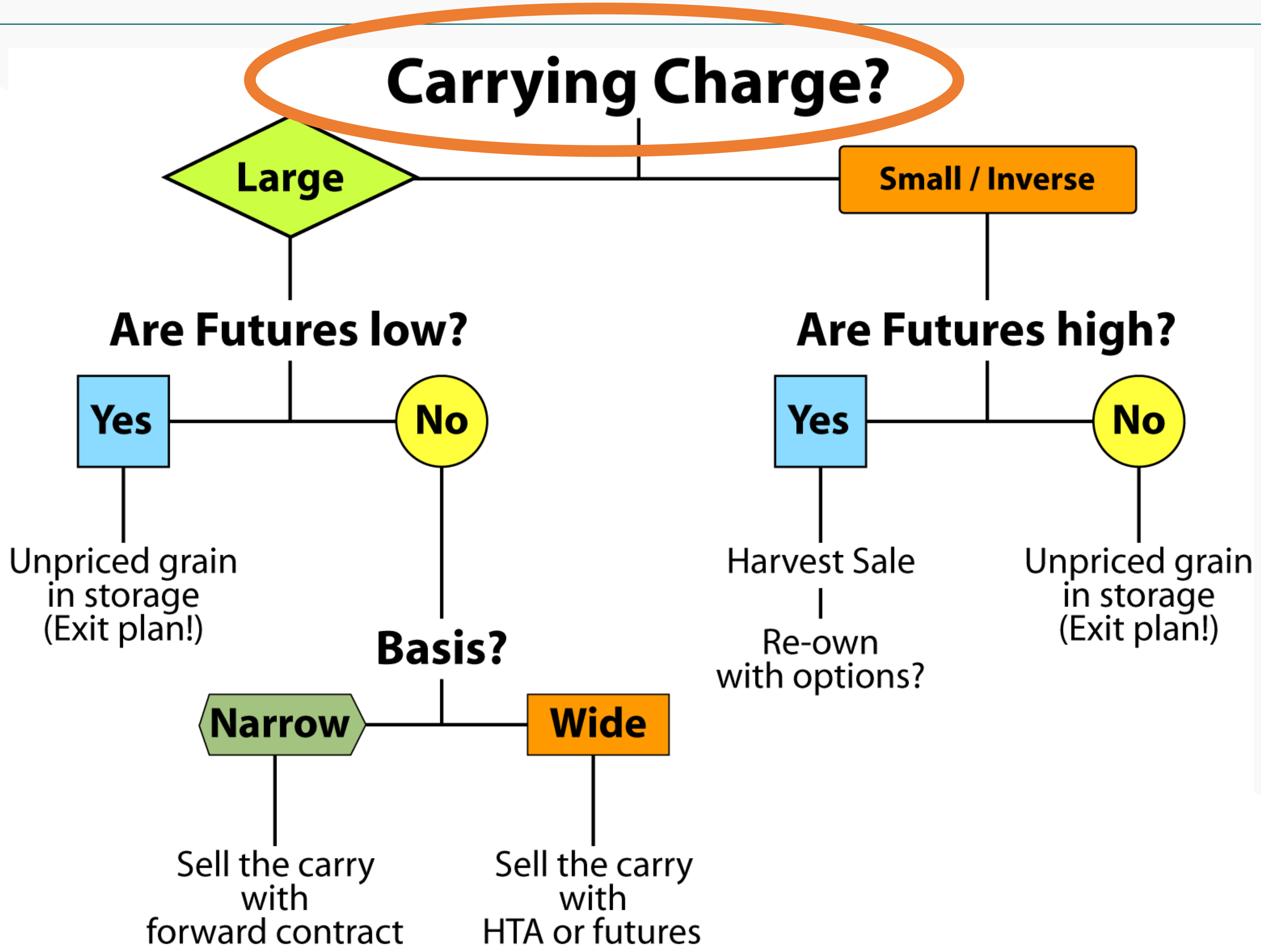
HOW TO WRITE A POST-HARVEST MARKETING PLAN

- Post-harvest marketing choices
- What would Earl do?
- Write a post-harvest marketing plan

Earl Eitheror

Earl has on-farm storage. He either sells the carry when carrying charges are large, or he holds his crop in the bin to sell later when the carry is small. Variable storage costs (interest and shrink) are accounted for.

DECISION TREE FOR SIZING UP THE MARKET



CARRYING CHARGES

- Price differences between futures delivery months (e.g. Dec. and July corn, Nov. and May soybeans, etc.)
- These price differences reflect market determined storage costs

CARRYING CHARGES

- Large crops/large free stocks = large carrying charges (i.e. deferred prices higher than nearby)
  - In the bear market environment, Earl plays it safe by selling the carry.
  - Carrying charges will not get larger than the commercial cost of storing grain.

HOW DOES EARL "SELL THE CARRY?"

- In the bear market environment, Earl plays it safe by selling the carry.
  - Forward contract (good basis)
  - Hedge-to-arrive (poor basis)
  - Sell futures (maximum flexibility)

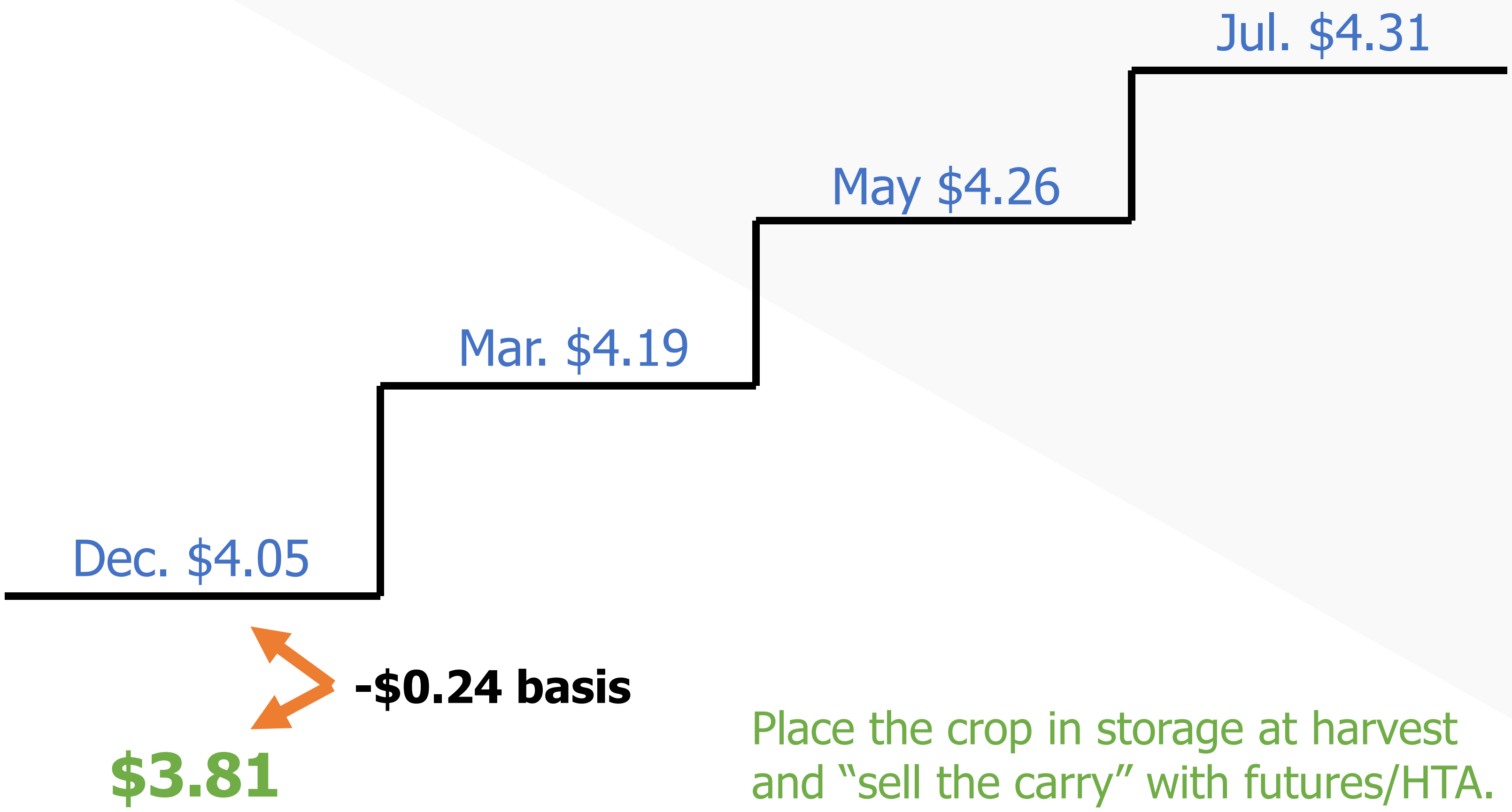
HOW DOES EARL "SELL THE CARRY?"

CBOT corn futures: October 18, 2024

Large carrying charges are an incentive to store today and sell tomorrow; hedging risk and capturing a return to storage.

HOW DOES EARL "SELL THE CARRY?"

2024 example

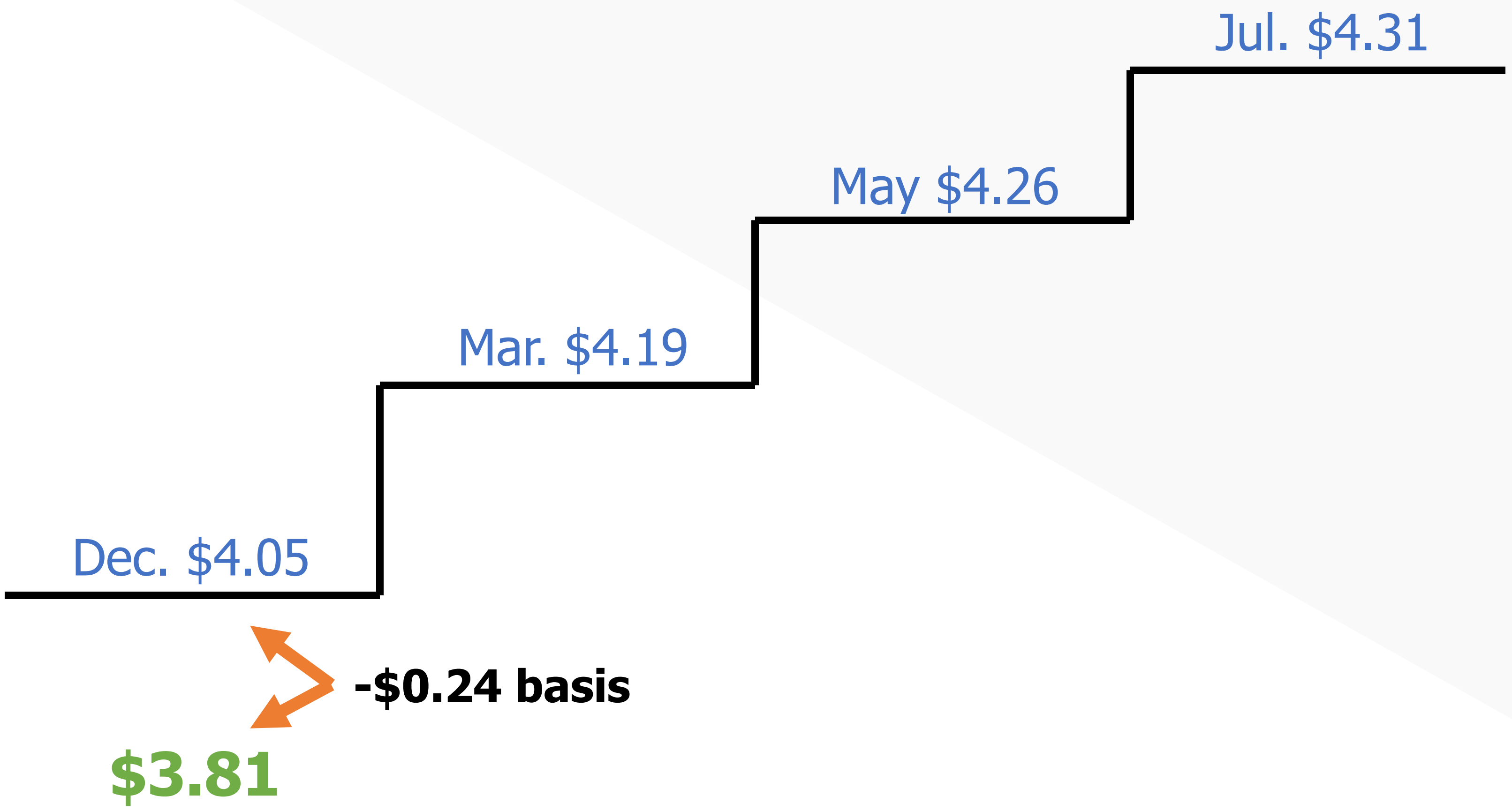


Place the crop in storage at harvest
and "sell the carry" with futures/HTA.

HOW DOES EARL "SELL THE CARRY?"

2024 example

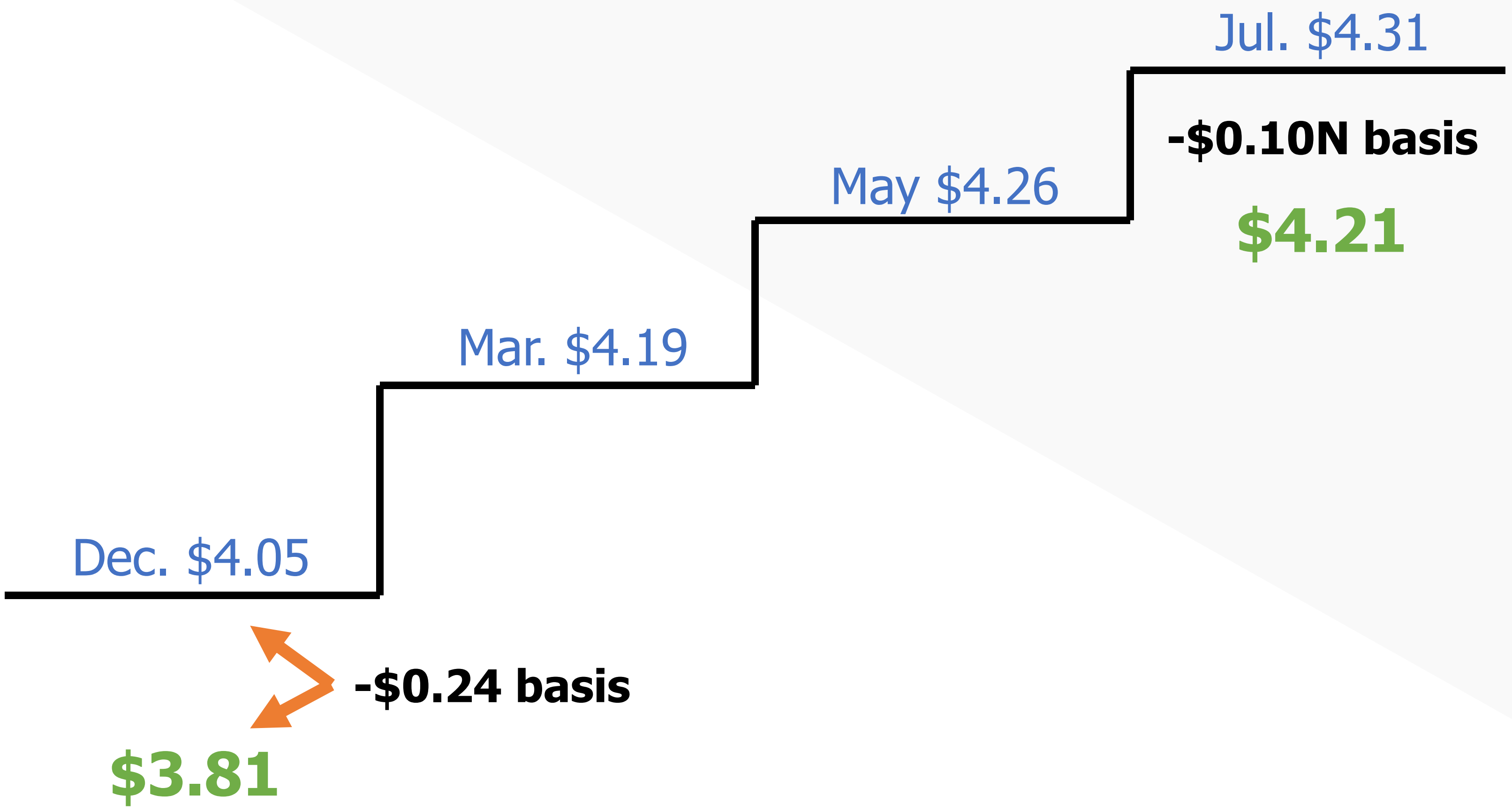
What will basis be next May/June?



HOW DOES EARL "SELL THE CARRY?"

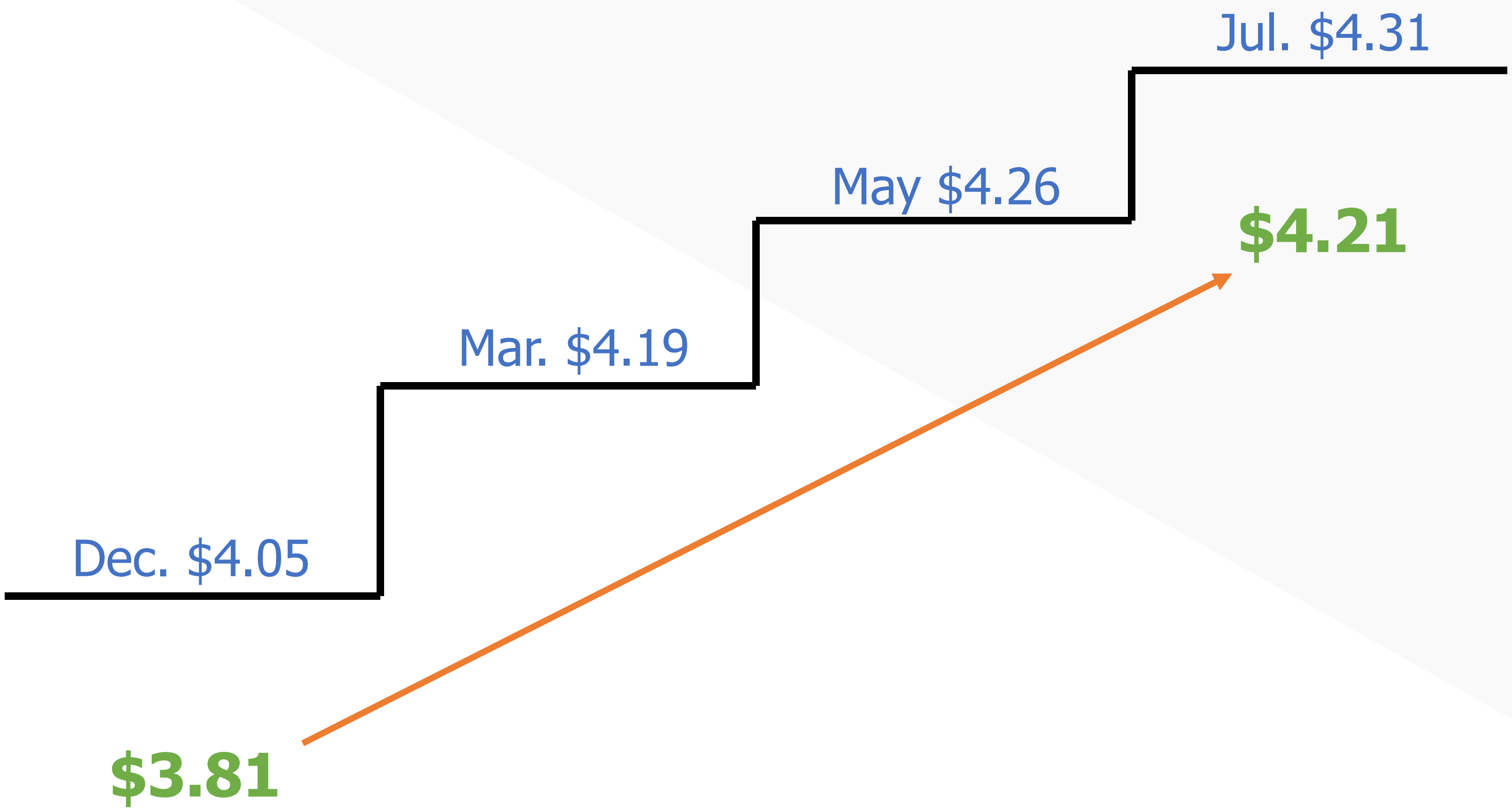
2024 example

What will basis be next May/June?



HOW DOES EARL "SELL THE CARRY?"

2024 example



CARRYING CHARGES

- Small crops/tight stocks = small carrying charges or inverses (i.e. deferred prices same or discount to nearby)
  - In the bull market environment, Earl takes a chance with unpriced grain in storage.
  - There is no limit to the size of an inverse (1996 corn, 2004 soybeans, 2008 wheat)

CARRYING CHARGES

Negative carrying charges – an inverted market – represents the opposite of a carry market. Deferred contracts trade at a discount to nearby contracts.

CBOT Soybean Futures, October 1, 2012

CARRYING CHARGES

Nov. $15.60

Store today and…

Mar. $15.30

Negative carrying charges – an inverted market – represents the opposite of a carry market. Deferred contracts trade at a discount to nearby contracts.

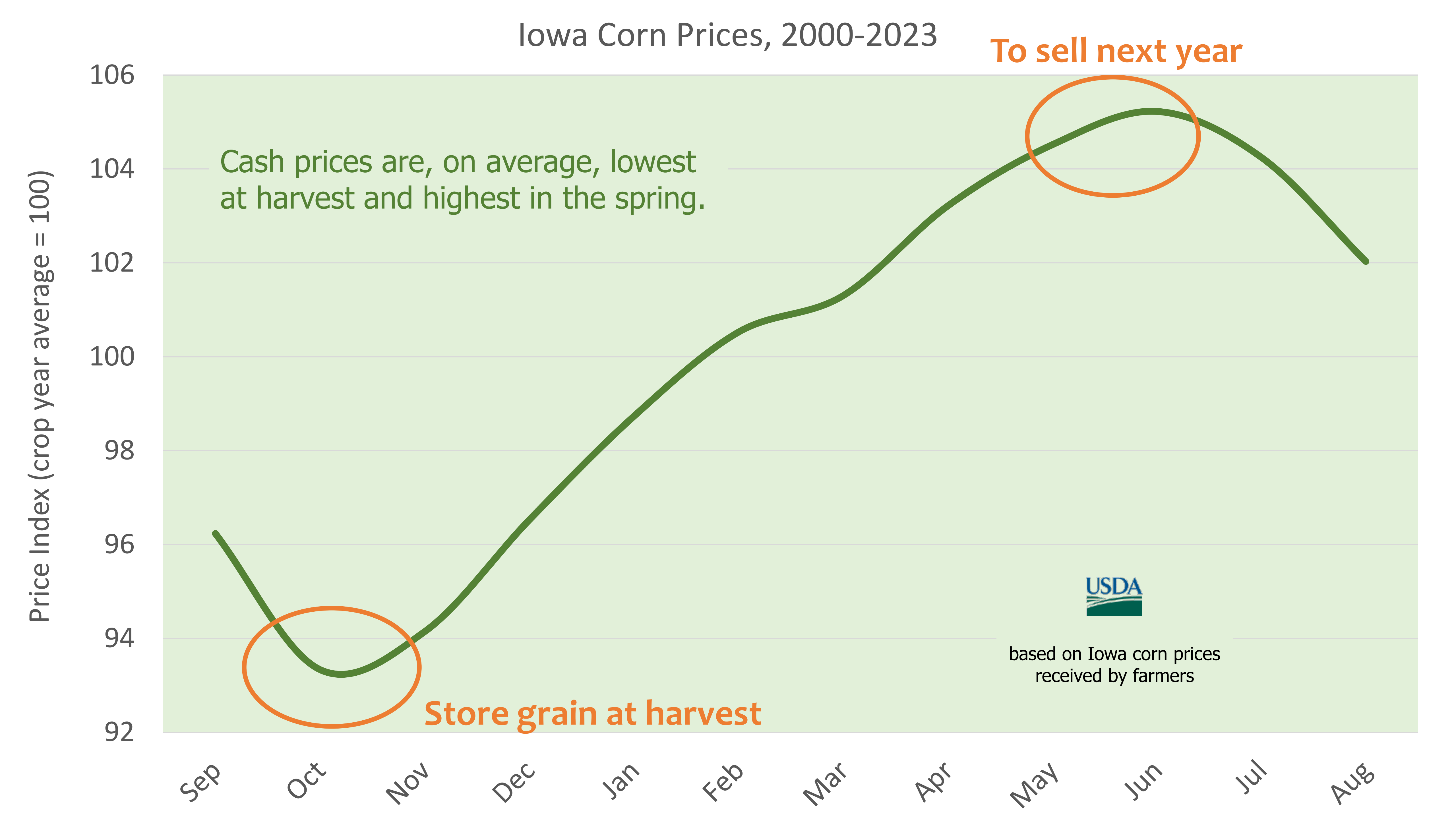
May $14.89

Jul. $14.69

sell tomorrow?

Aug. $14.43

CBOT Soybean Futures, October 1, 2012


Iowa Corn Prices, 2000-2023
To sell next year
Cash prices are, on average, lowest
at harvest and highest in the spring.
Price Index (crop year average = 100)
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USDA
based on Iowa corn prices
received by farmers
Store grain at harvest
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Earl Eitheror

Earl bases his choice on carrying charges.

Does it work?

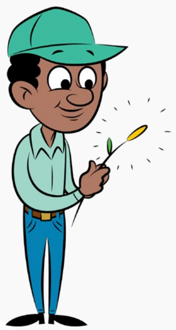
Let's compare Earl to Barney Binless

Barney Binless

Barney has no marketing plan, no storage and no interest in early pricing. He is our benchmark, and his price is the harvest price each year.

IOWA AVERAGE CORN PRICES, 1989-2023

Earl's choice?
He sold a large carry in corn,
25 of 35 years.

			
	Earl	Barney	Earl's advantage
corn	3.33	3.13	0.20
years >Barney	29(83%)		
years >10%	6	2	

Earl sells 20% at harvest. Carrying charges >140% of interest costs; Earl sells the carry. Carrying charges <140%; Earl holds grain to sell in **late spring**. Prices are calculated net of on-farm storage costs (interest and shrink).

IOWA AVERAGE SOYBEAN PRICES, 1989-2023

Earl's choice?
He sold a large carry in beans, **3** of 35 years.

			
	Earl	Barney	Earl's advantage
soybeans	8.20	7.65	0.55
years >Barney	23(66%)		
years >10%	11	5	

Earl sells 20% at harvest. Carrying charges >140% of interest costs; Earl sells the carry. Carrying charges <140%; Earl holds grain to sell in **late spring**. Prices are calculated net of on-farm storage costs (interest and shrink).

EARL VS. BARNEY

- Over time, Earl's choice paid vs. the harvest price, net of on-farm storage costs
- His results are consistent for corn, soybeans and wheat
- His choice does not work every time (nothing is 100%)

MAY SELLERS AND UNPRICED GRAIN

How much risk is too much risk?

May Sellers

May has on-farm storage. After harvest, she holds her corn and soybeans in the bin to sell late May. Her final price is net of variable storage costs.

IOWA AVERAGE CORN PRICES, 1989-2023

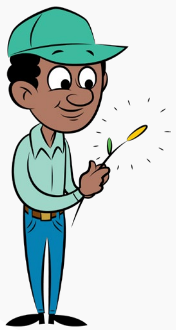
Earl sold a large carry in corn, **25** of 35 years.

			
	Earl	May	May's advantage
corn	3.33	3.37	0.04
years >Barney	**29**	**21**	
years >10%	6/2	12/5	

Earl and May sells 20% at harvest. Carrying charges >140% of interest costs; Earl sells the carry. Carrying charges <140%; May and Earl holds grain to sell in **late spring**. Prices are calculated net of on-farm storage costs.

IOWA AVERAGE SOYBEAN PRICES, 1989-2023

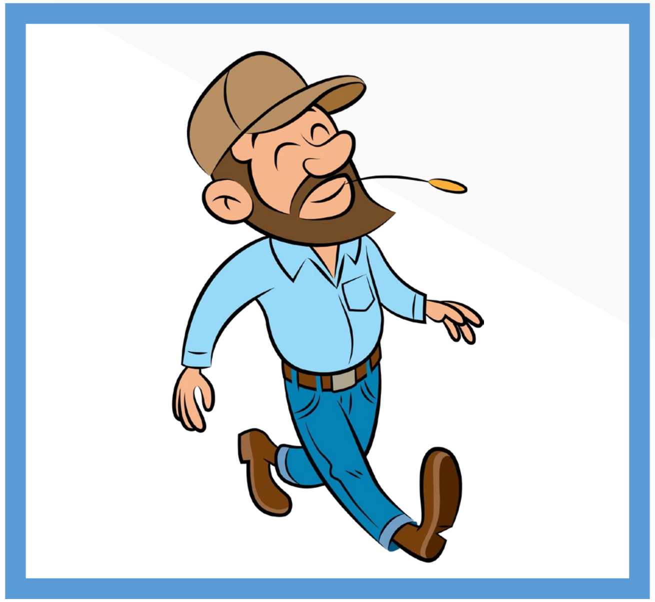
Earl sold a large carry in soybeans, **3** of 35 years.

			
	Earl	May	May's advantage
soybeans	8.20	8.27	0.07
years >Barney	23	22	
years >10%	12/5	14/5	

Earl and May sells 20% at harvest. Carrying charges >140% of interest costs; Earl sells the carry. Carrying charges <140%; May and Earl holds grain to sell in late spring. Prices are calculated net of on-farm storage costs.

BARNEY, MAY, AND (DON'T BE) HANK

How long should I hold unpriced grain?



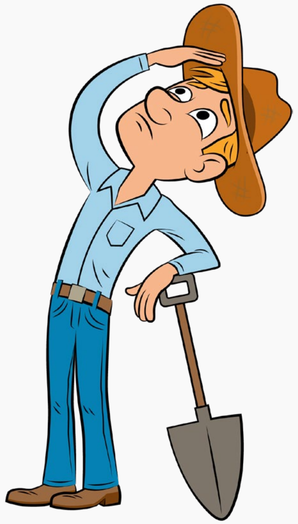
Barney Binless sells at harvest.

May Sellers stores grain to sell in May.

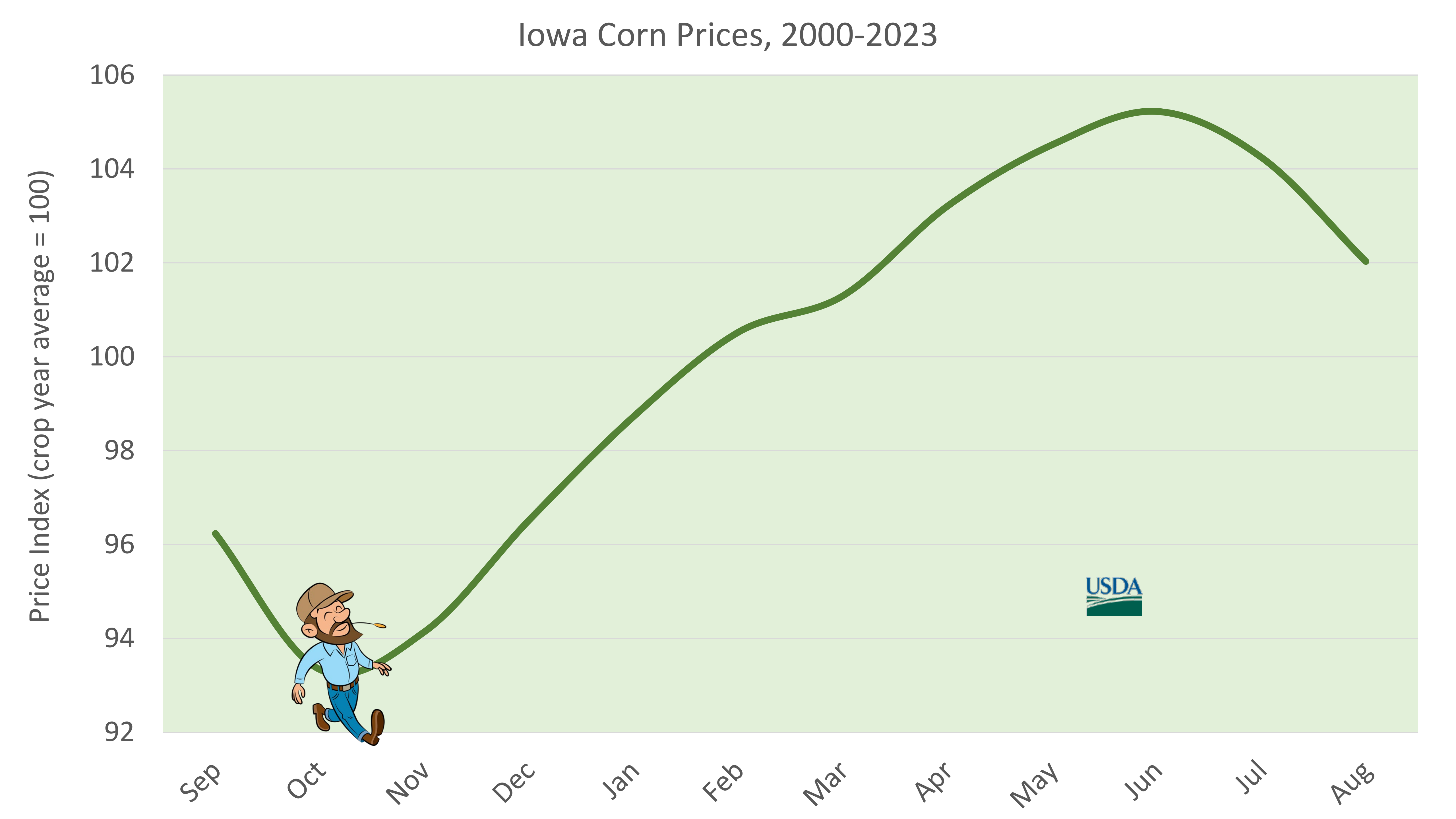
Hank Holder stores grain too long.

May and Hank's prices are net of variable storage costs (interest and shrink), and they store 80% of their crop on farm.

Hank Holder



Hank is our perennial bull, always convinced that prices are about to surge higher. But Hank only has enough storage for one crop, so each year he is forced to sell last years' crop before harvest, to make room for the new crop. His price is the following harvest price, less storage costs.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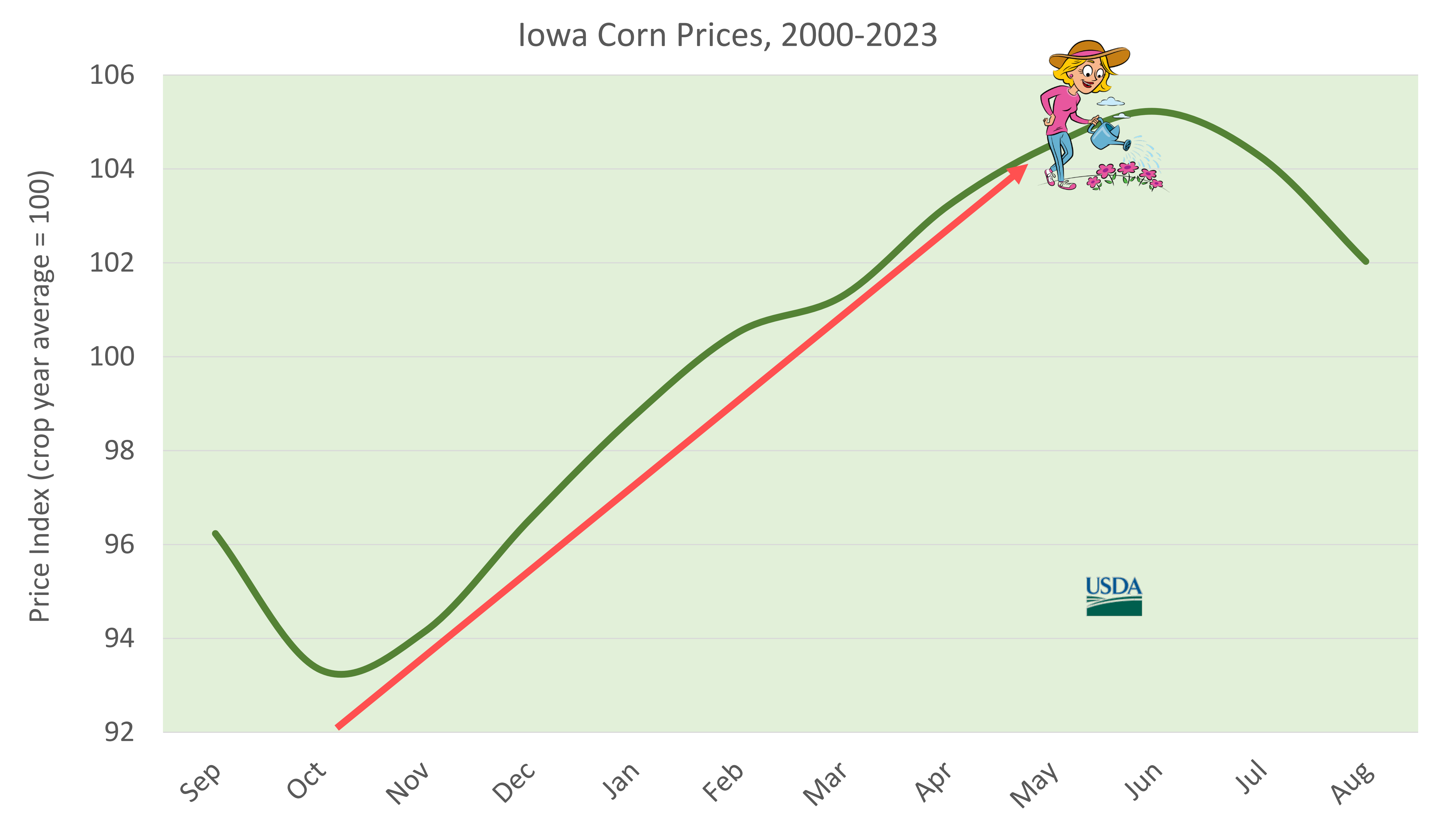
USDA



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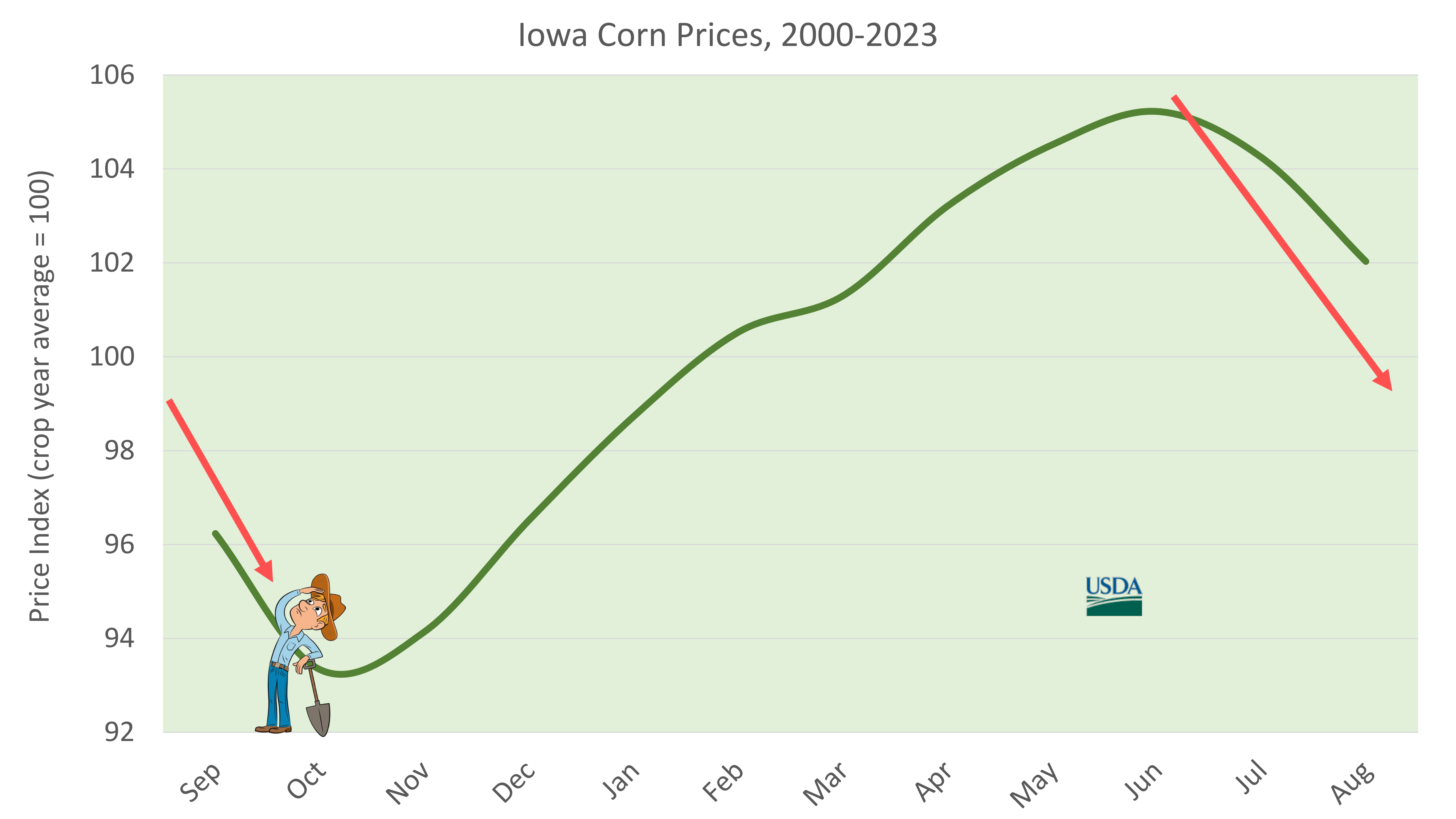

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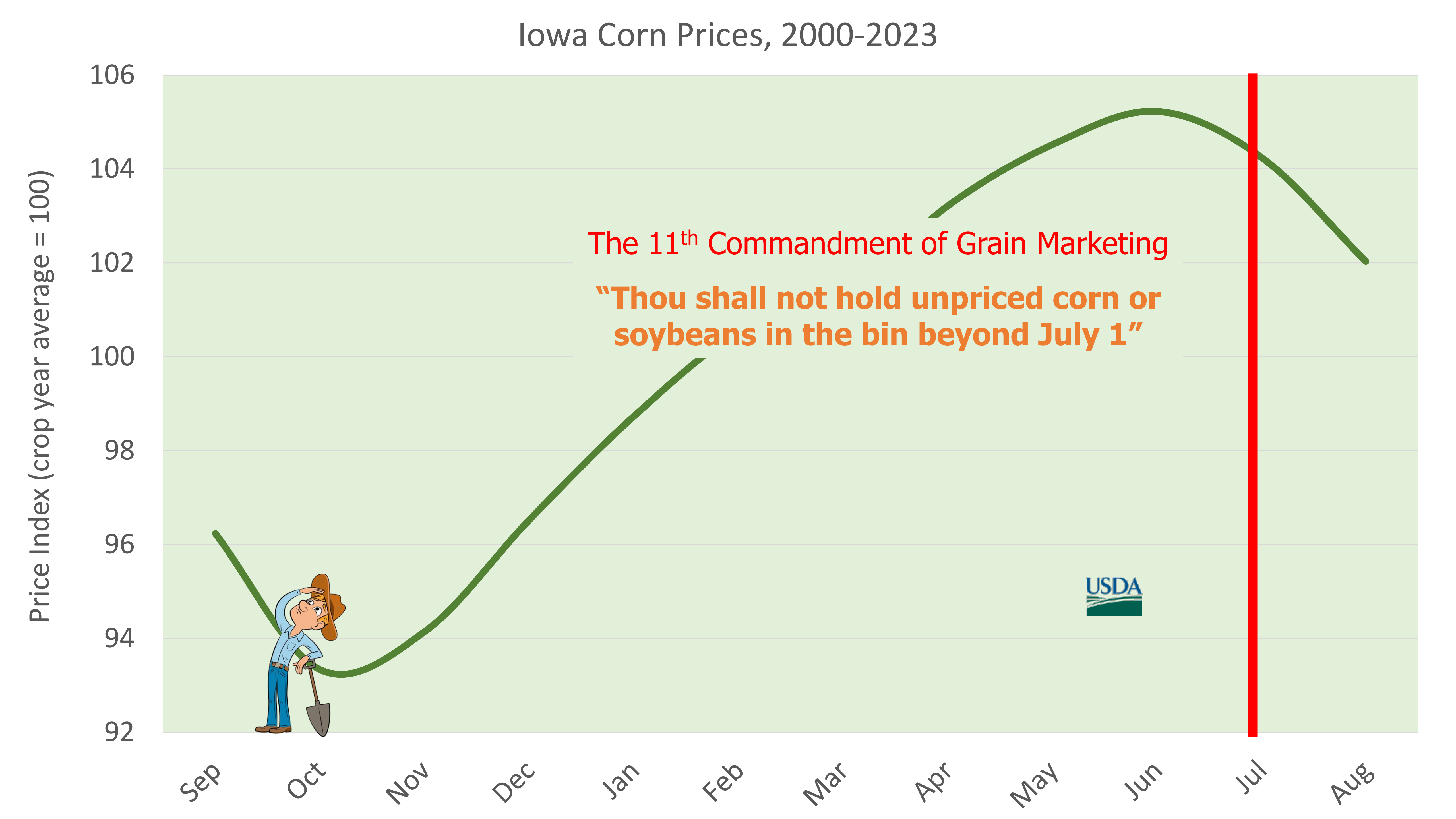
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Price Index (crop year average = 100)
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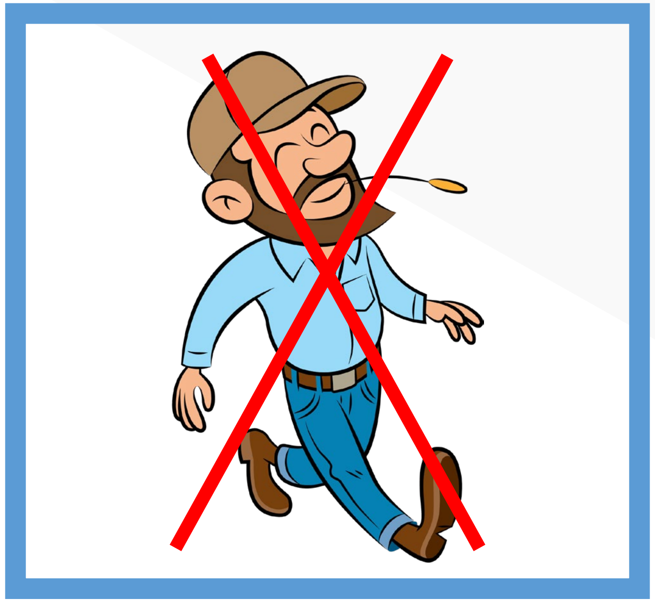
The 11th Commandment of Grain Marketing
"Thou shall not hold unpriced corn or soybeans in the bin beyond July 1"
USDA



Barney may be our benchmark, but let’s compare Hank to May – two producers doing the same thing.

IOWA AVERAGE CORN PRICES, 1989-2023

			
	May	Hank	May's advantage
corn	3.37	2.89	0.48
years >Hank	26(74%)		
years >10%	21	4	

IOWA AVERAGE CORN PRICES, 1989-2023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IOWA AVERAGE SOYBEAN PRICES, 1989-2023

			
	May	Hank	May's advantage
soybeans	8.27	7.25	1.02
years >Hank	26(74%)		
years >10%	20	3	

Hank does it again!

XXXXXXXXX Advice Alerts

Corn producers:

August 1, 2024 [] sell another 10% of 2023-crop in the cash market to get to 70% sold.

August 30, 2024 [] sell the final 20% of old-crop in the cash market to get to 100% sold.

Hank does it again!

XXXXXXXXX Advice Alerts

Soybean cash-only marketers:

August 7, 2024 [] sell another 10% of 2023-crop to get to 80% priced.

August 23, 2024 [] sell the final 20% of 2023-crop production to get to 100% sold.

POST-HARVEST MARKETING PLAN FOR CORN

Objective: Seek strategies that balance risk and reward in the current market environment.

Hold no unpriced grain beyond July 1.

Harvest: Price and deliver ____________ bushels (no storage), and ____________ bushels (good price).

Re-own ___________ bushels with an options strategy tbd

Store ____________ bushels of unpriced grain for later sale.

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Bushels not priced by ___________ will be sold _______________________

Sell if the price falls below $_____________________

Store and sell the carry on ____________ bushels with a pricing tool tbd.

Lock the basis on _________ bushels at _____ cents under the _______ contract, or by _____________ at the current basis

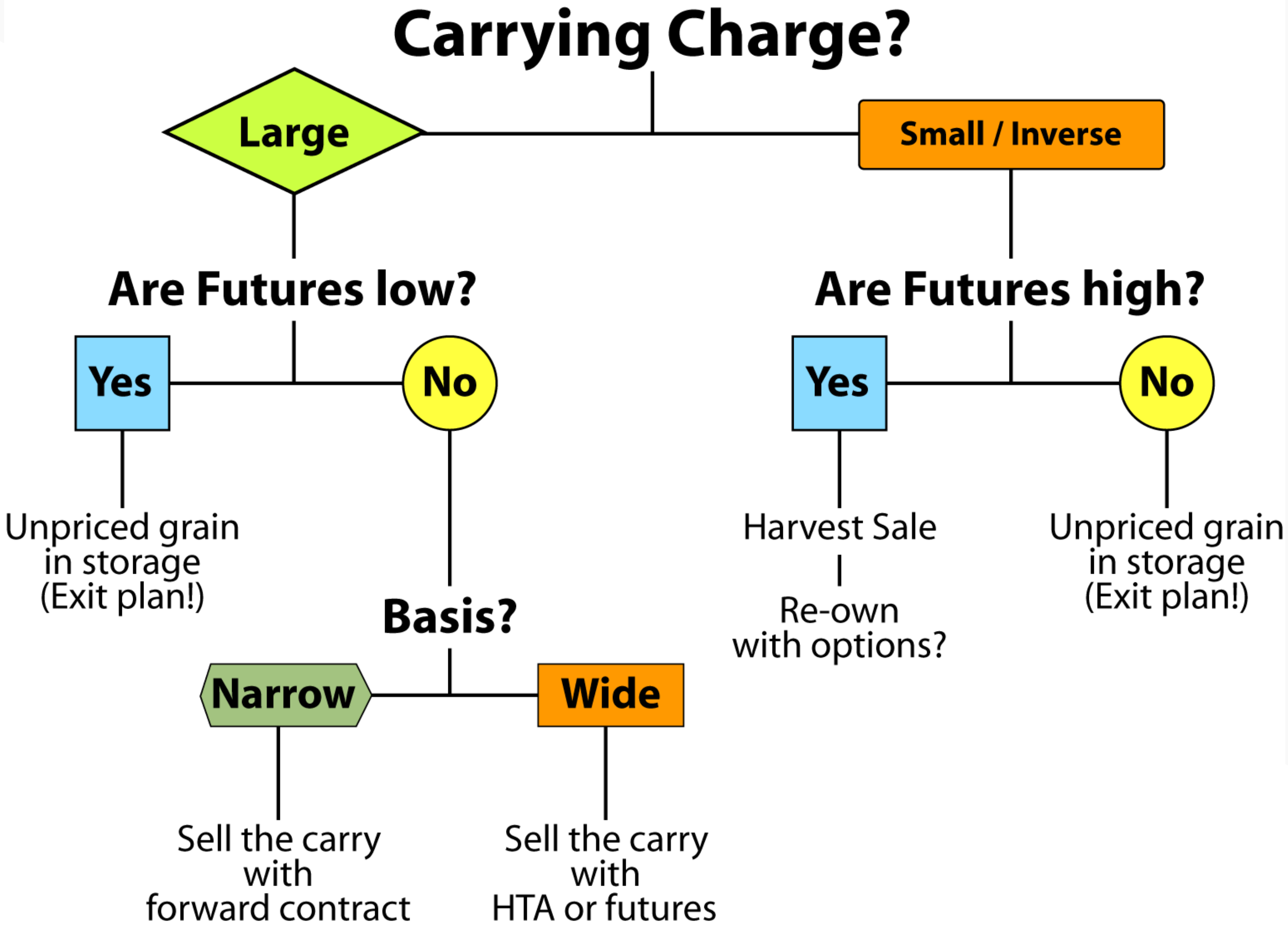
HOW TO WRITE A POST-HARVEST MARKETING PLAN

- Post-harvest marketing choices
- What would Earl do?
- Write a post-harvest marketing plan

WRITING A POST-HARVEST MARKETING PLAN

- Use the decision tree and plan template
- What is the carry? (What would Earl do?)
- Refine your plan…
  - ✓ Is basis high or low?
  - ✓ Are prices high or low?
  - ✓ What are my storage costs?
  - ✓ What is my appetite for risk?
- Don't forget your exit plan!

DECISION TREE FOR SIZING UP THE MARKET



POST-HARVEST MARKETING PLAN FOR CORN

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced grain beyond July 1.

Harvest: Price and deliver ____________ bushels (no storage), and ____________ bushels (good price).

Re-own ___________ bushels with an options strategy tbd

Store ____________ bushels of unpriced grain for later sale.

Sell ________ bushels when the cash price reaches $________ or by _________

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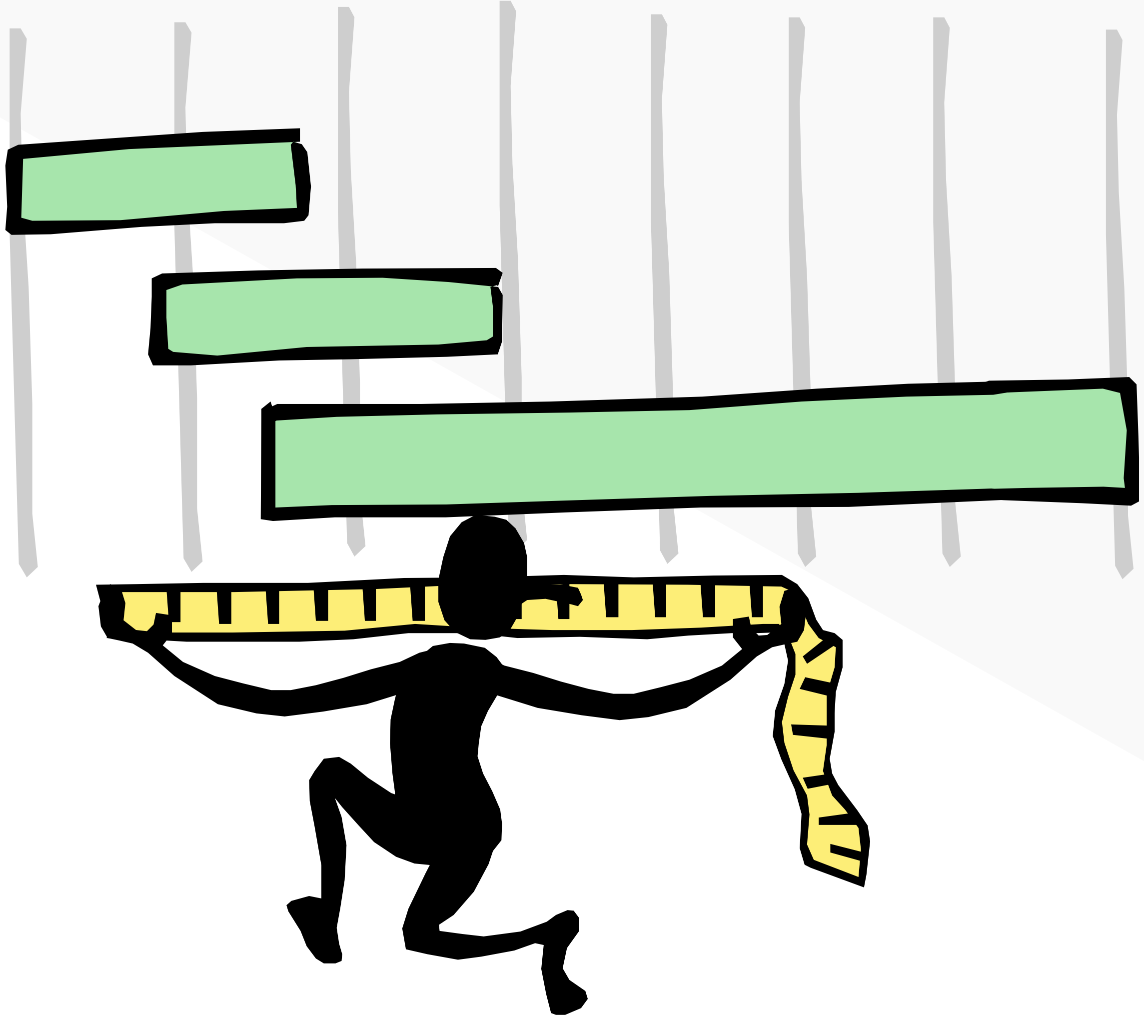
Sell if the price falls below $_____________________

Store and sell the carry on ____________ bushels with a pricing tool tbd.

Lock the basis on _________ bushels at _____ cents under the _______ contract, or by _____________ at the current basis

SIZING UP THE MARKET



The situation at harvest (2024)…

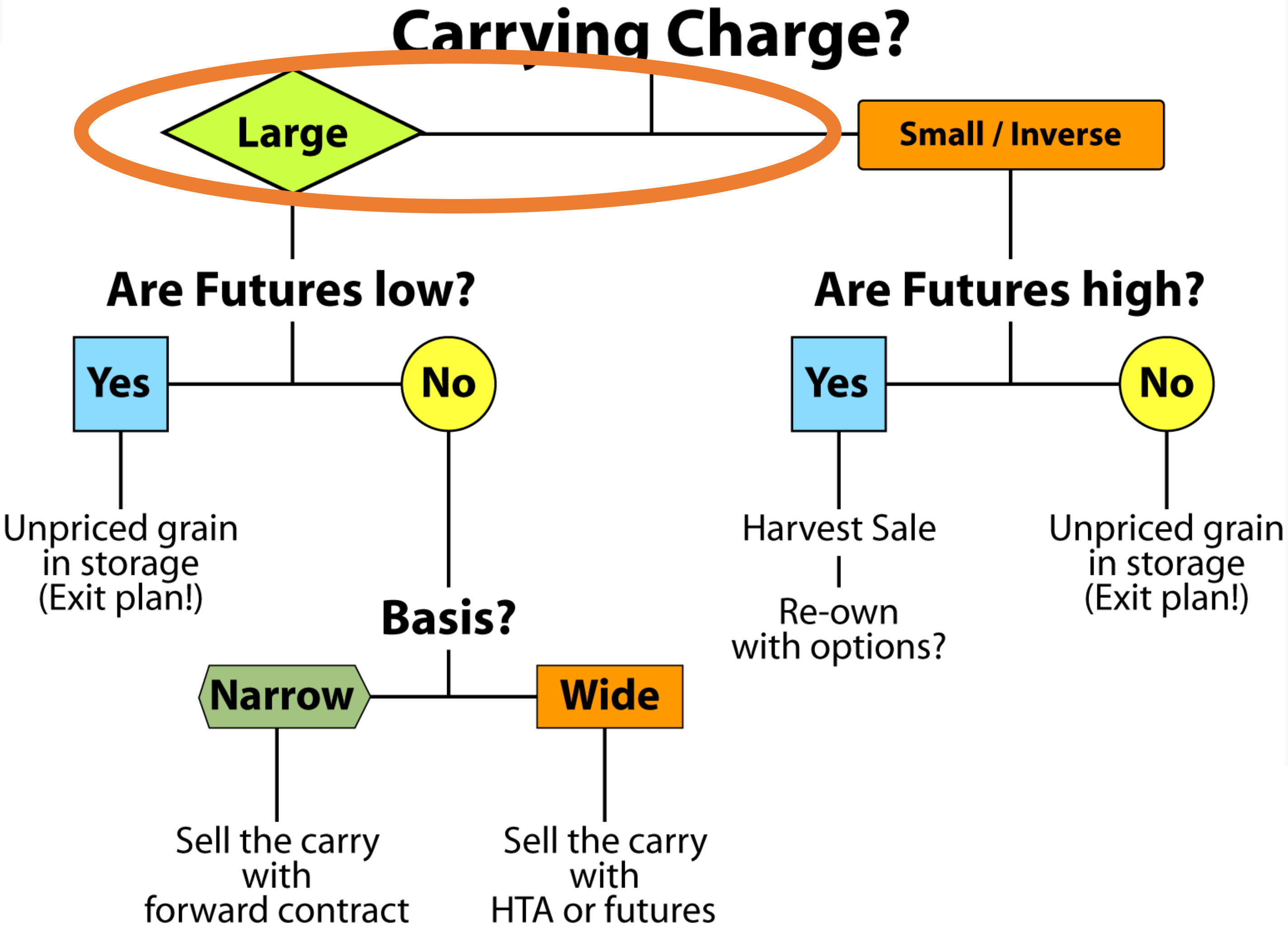
SIZING UP THE MARKET

October 18, 2024

Corn

	harvest
Dec'24 futures	$4.05
basis	24 under
harvest price	$3.81
July'25 futures	$4.31

DECISION TREE FOR SIZING UP THE MARKET



SIZING UP THE 2024 CORN MARKET

- Basis at 24 cents under is good
- Earl has a *modestly* large carry to the July contract – selling the carry is an option
- Are prices too low? Diversify with some unpriced corn in storage

POST-HARVEST MARKETING PLAN FOR CORN

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1.

Produced 100,000 bushels

Harvest: Price and deliver 20,000 bushels (no storage).

Store 40,000 bushels of unpriced grain for later sale.

- Sell 10,000 bushels when the cash price reaches $4.25
- Sell 10,000 bushels when the cash price reaches $4.50
- Sell 10,000 bushels when the cash price reaches $4.75
- Sell 10,000 bushels when the cash price reaches $5.00
- Bushels not priced by end of April will be sold equal increments May and June.
- Sell if the price falls below $3.40.

Store and sell the carry on 40,000 bushels with a sale of July futures

- Lock the basis on all bushels at 10 cents under the July contract, or by April 30 at the current basis

POST-HARVEST MARKETING PLAN FOR CORN

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced **corn** beyond July 1.

Harvest: Price and deliver ____________ bushels (no storage), and ____________ bushels (good price).

Re-own ___________ bushels with an options strategy tbd

Store ____________ bushels of unpriced grain for later sale.

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Sell ________ bushels when the cash price reaches $________ or by _________

Bushels not priced by ___________ will be sold _______________________

Sell if the price falls below $_____________________

Store and sell the carry on ____________ bushels with a pricing tool tbd.

Lock the basis on _________ bushels at _____ cents under the _______ contract, or by _____________ at the current basis

SIZING UP THE MARKET

October 11, 2024

Soybeans

	harvest
Nov'24 futures	$10.06
basis	46 under
harvest price	$9.60
July'25 futures	$10.61

SIZING UP THE 2024 SOYBEAN MARKET

- Basis at 46 cents under is good
- The carry to July is positive but not enough to cover interest costs
- ***Consider selling a small carry on pre-harvest sales, to "protect the lead" and get to a new tax year***
- Unpriced soybeans in storage? Get an exit plan and look to sell rallies

POST-HARVEST MARKETING PLAN FOR SOYBEANS

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced soybeans beyond July 1.

Produced 27,000 bushels

Harvest: Price and deliver 7,000 bushels (no storage).

Store 10,000 bushels of unpriced grain for later sale.

- Sell 4,000 bushels when the cash price reaches $10.50
- Sell 3,000 bushels when the cash price reaches $11.00
- Sell 3,000 bushels when the cash price reaches $11.50
- Bushels not priced by end of April will be sold equal increments May and June.
- Sell if the price falls below $8.75.

Store and sell the carry on 10,000 bushels with a sale of July futures. Pre-harvest sale made at $11.60 Nov'24 futures – hedge rolled to July at a 50-cent carry.

- Lock the basis on all bushels at 10 cents under the July contract, or by April 30 at the current basis.

POST-HARVEST MARKETING PLAN FOR SOYBEANS

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no un-priced **soybeans** beyond July 1.

Harvest: Price and deliver ___________ bushels (no storage), and ___________ bushels (good price).

Re-own __________ bushels with an options strategy tbd

Store ___________ bushels of unpriced grain for later sale.

Sell _______ bushels when the cash price reaches $_______ or by ________

Sell _______ bushels when the cash price reaches $_______ or by ________

Sell _______ bushels when the cash price reaches $_______ or by ________

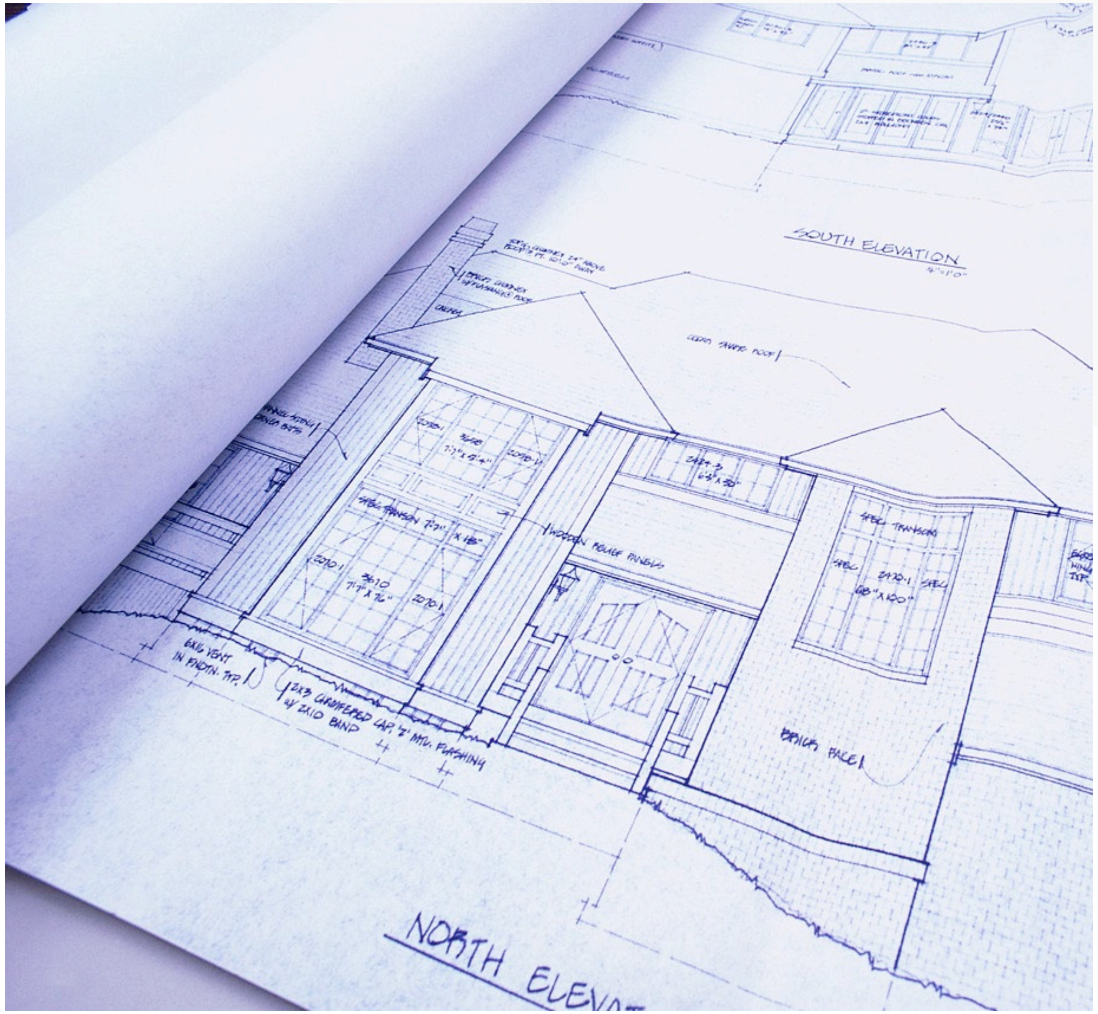
Bushels not priced by __________ will be sold _____________________

Sell if the price falls below $___________________

Store and sell the carry on ___________ bushels with a pricing tool tbd.

Lock the basis on ________ bushels at ____ cents under the ______ contract, or by ____________ at the current basis

WHY IS AN IMPERFECT PLAN BETTER THAN NO PLAN AT ALL?



A plan is a benchmark for your goals.

If you have a plan, you have something to adapt in a changing environment

POST-HARVEST MARKETING PLAN REVIEW

1. Post harvest choices are few
    - Sell grain at harvest
    - Hold grain in storage to sell later
    - Hold grain in storage and “sell the carry”
2. What would Earl do?
    - Carrying charges are critical to the storage decision
3. Refine your plan…
    - Basis and/or prices - high or low?
    - What is my appetite for risk?
4. Get an exit plan!

Remote learning opportunities at the University of Minnesota!

	Course
Jan.–May 2025	4481 Ag Futures and Options Markets
Sep.–Dec. 2025	3411 Commodity Marketing

Interested? Send me an email… ussett001@umn.edu

Thank you!

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Center for Farm Financial Management (www.cffm.umn.edu)
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