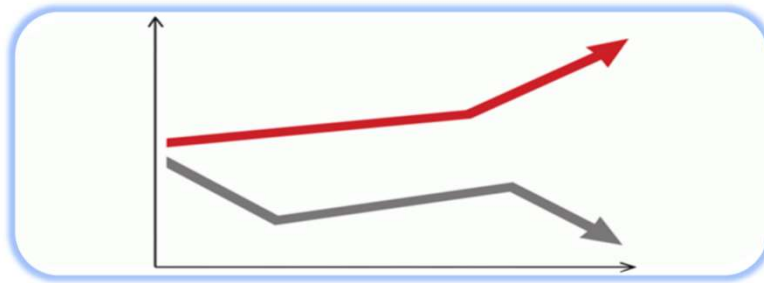


Third Thursday: 2021-22 Crop Marketing Series



Ed Kordick
Farmer Education Program Manager
ekordick@ifbf.org
www.iowafarmbureau.com



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Third Thursday: 2021-22 Crop Marketing Series

Each webinar will include:

1. Educational topic from “Five Common Mistakes in Grain Marketing”
2. Corn and soybean market update (futures, cash, basis)
3. 2021-22 Iowa Commodity Challenge marketing plan update



4

Third Thursday: 2021-22 Crop Marketing Series

Live at 1:00 pm, also recorded for later viewing

- Nov. 18, 2021: Thinking you avoid storage costs when you sell grain and buy a call
- Dec. 16, 2021: Failure to understand and track your basis**
- Jan. 20, 2022: The reluctance towards pre-harvest pricing
- Feb. 17, 2022: Lack of an exit strategy
- March 17, 2022: Holding grain in storage too long
- April 21, 2022: Five Common Mistakes in Grain Marketing: Wrap-up with Ed Usset.



7

ABOUT THE DATA...

Data and methodology...

- ✓ Iowa average corn and soy prices, 1989-2021
- ✓ Monthly prices: USDA/NASS
- ✓ Look for strong tendencies (nothing is 100%)
- ✓ Consider large differences (>10%)

8

A DIFFERENT APPROACH TO MARKETING

What is a Marketing Plan?

A marketing plan is a **proactive strategy** to price your grain that considers your financial goals, cash flow needs, price objectives, storage capacity, crop insurance coverage, anticipated production, and appetite for risk

Proactive, not reactive, not overactive

MISTAKE #2: FAILURE TO UNDERSTAND AND TRACK YOUR BASIS

$$\text{cash price} - \text{futures price} = \text{basis}$$

In the grain trade, cash prices are quoted as a basis of so many cents "under" or "over" the futures price.

This practice goes back over 100 years.

MISTAKE #2: FAILURE TO UNDERSTAND AND TRACK YOUR BASIS

- ✓ Basis links the **general** (futures price) to the **specific** (local cash price)
- ✓ Key basis factors include....
 - transportation costs and availability
 - local supply and demand for the grain, and for grain storage
- ✓ Grain basis patterns are broadly similar from one year to the next

Two components make up the local cash price:

Futures Price



Worldwide factors:
South America, weather,
global trade, U.S. \$



Basis



Local factors:
local feed demand,
local crop size

Basis Example

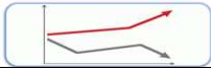
- The difference between the cash price and futures price. Many factors influence basis: local supply/demand, etc.

- Example basis:

Cash Price – Futures Price = Basis

\$5.52 – \$5.75 = – 23¢

\$11.85 – \$12.30 = – 45¢



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Basis = the difference between the cash price and futures price.



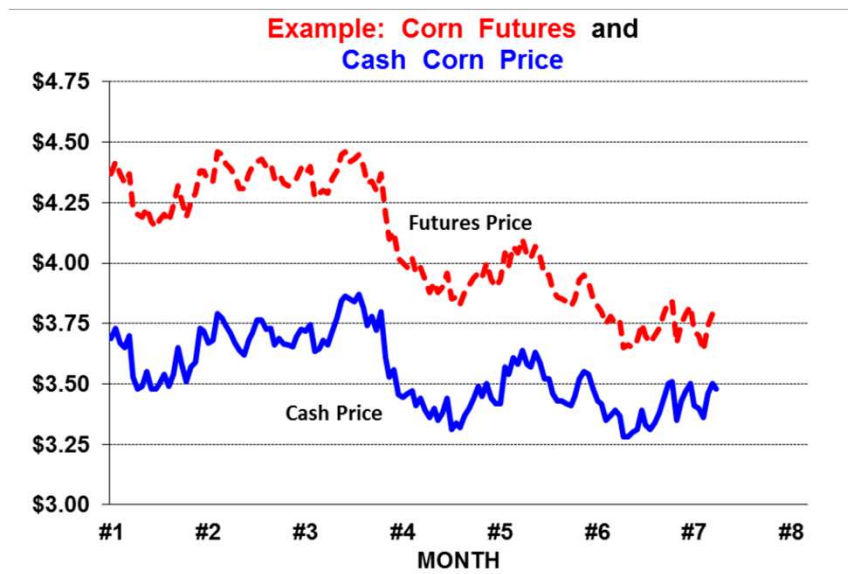
[This Photo](#) by Unknown Author is licensed under [CC BY-SA](#)

The lever
elevators and processors
use to
encourage or discourage crop
movement to the market.



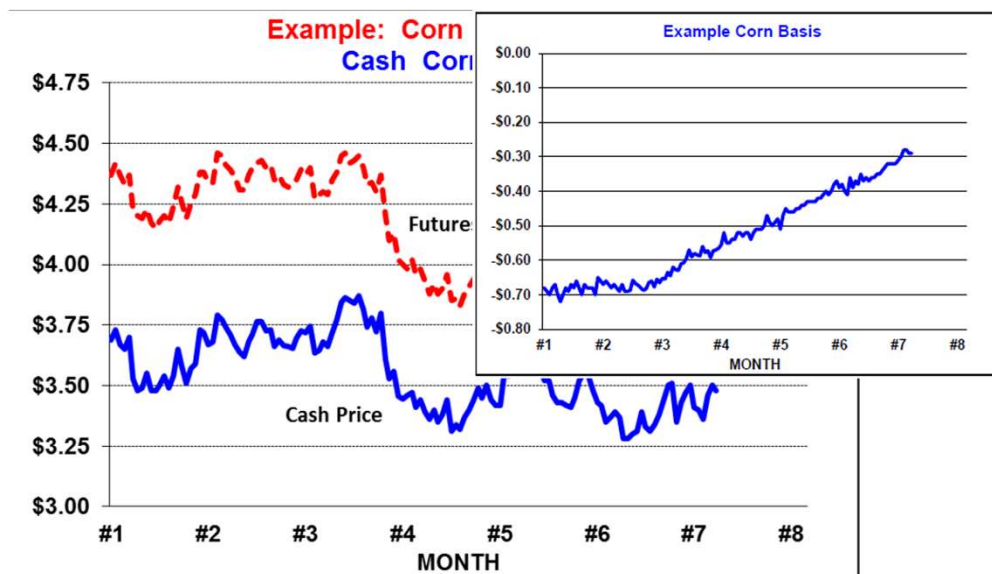
14

Basis = the difference between the cash price and futures price.

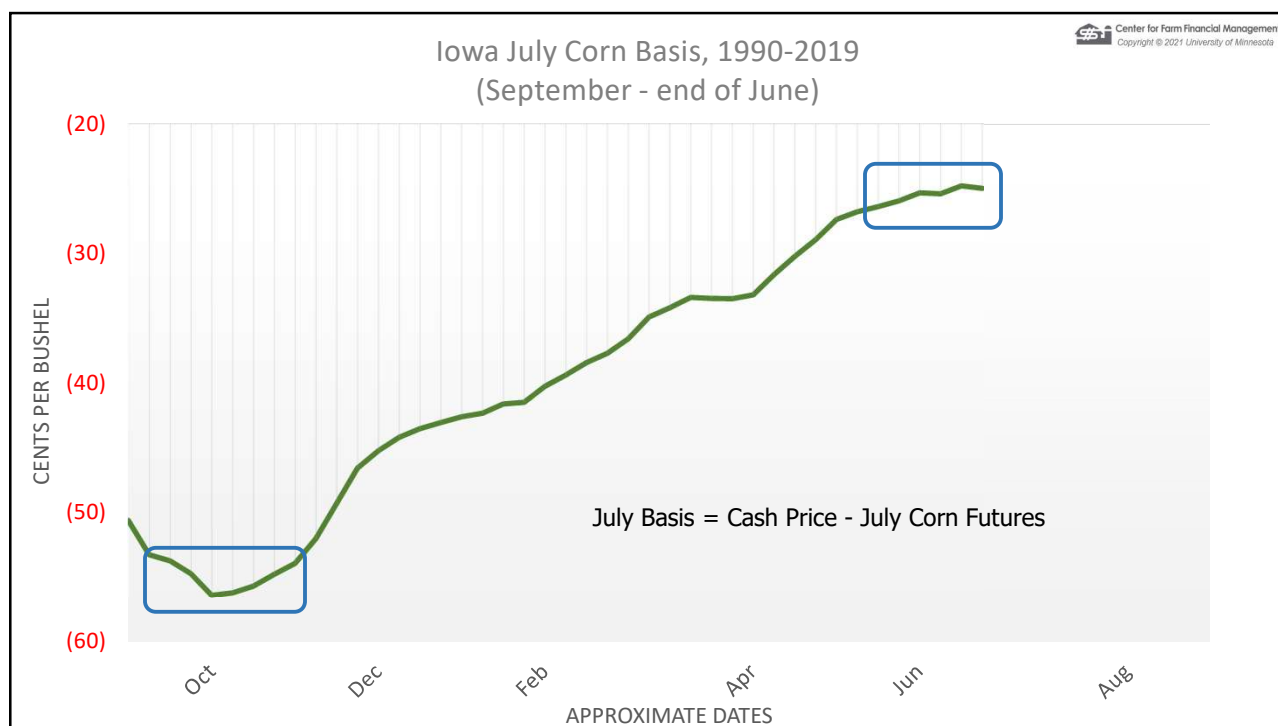


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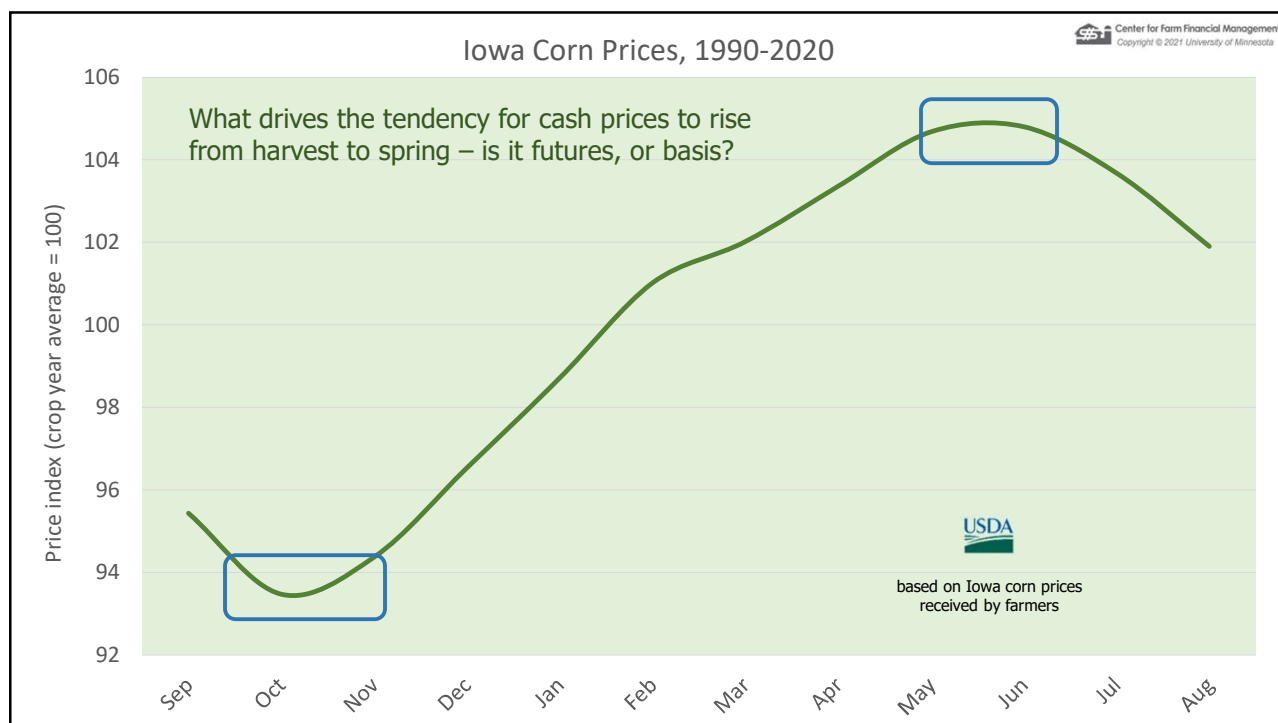
Basis = the difference between the cash price and futures price.



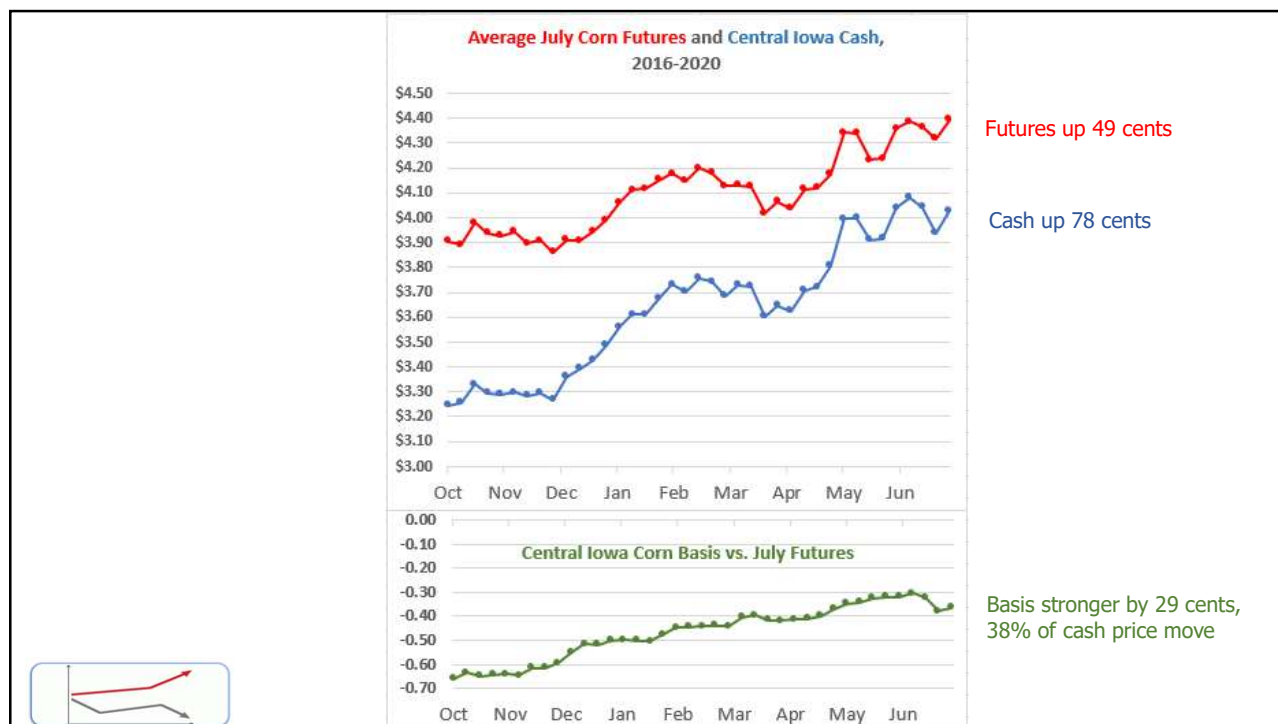
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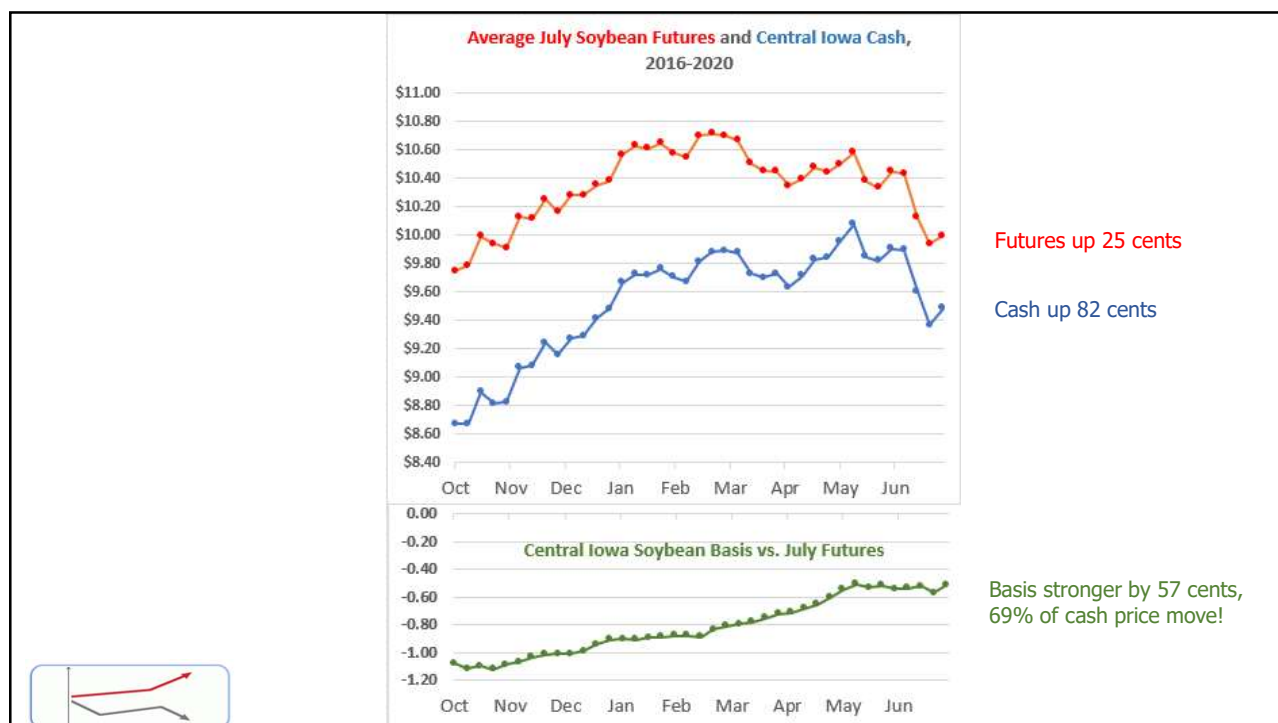
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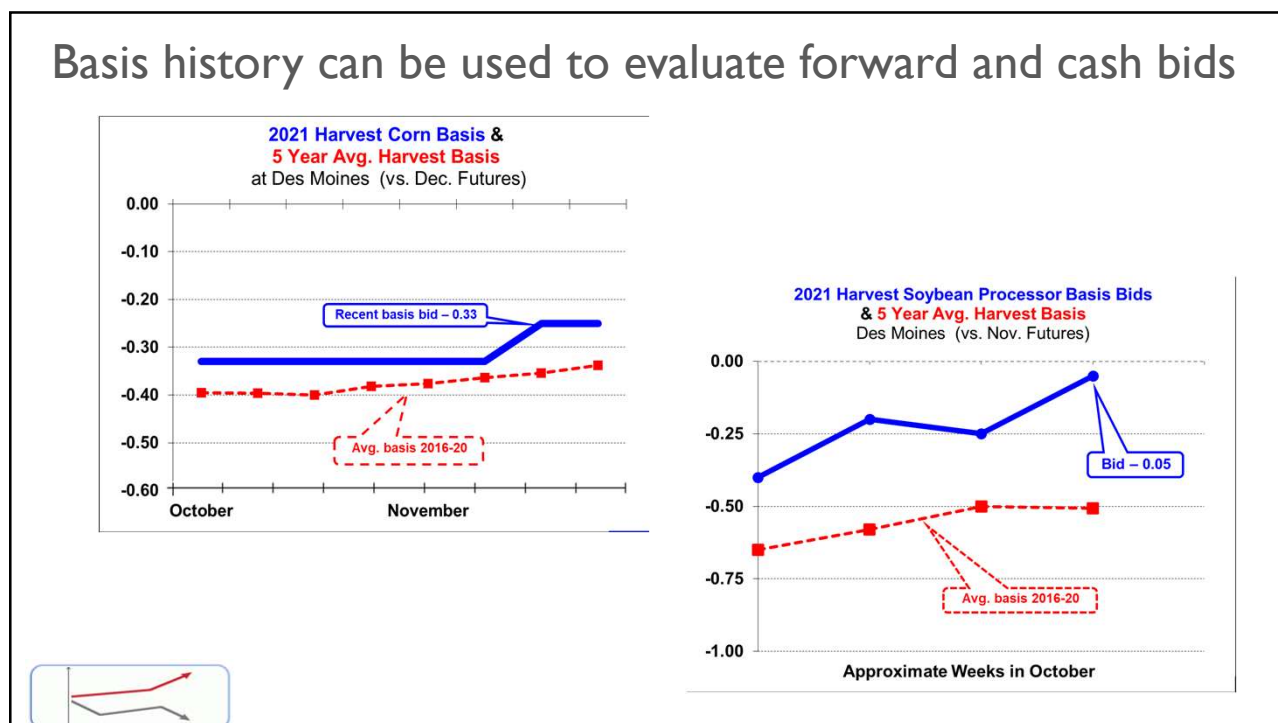


20

Tracking Local Basis

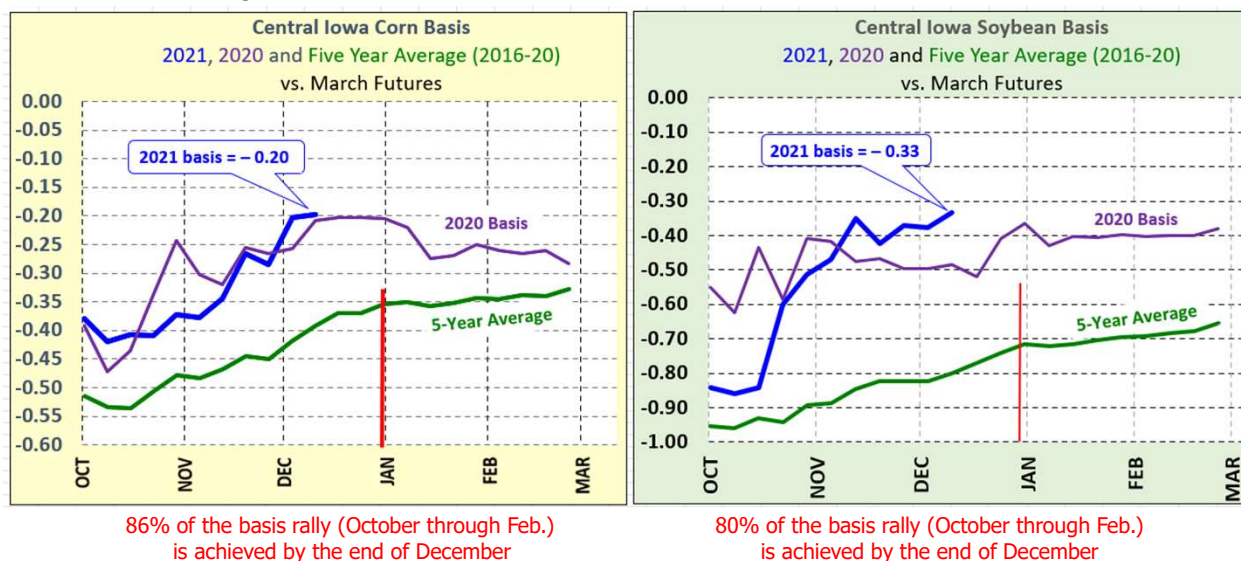
Date	Spot Cash Price	Futures Cont Pri	Weekly Tracking Table (Old Crop)			
			Corn		Location: Bondurant	
			Date	Spot Cash Price	NEARBY Futures Price	BASIS
			10/20/21	5.07	5.39 Dec	-0.32
			10/27/21	5.25	5.57 Dec	-0.32
			11/03/21	5.35	5.64 Dec	-0.29
			11/10/21	5.41	5.69 Dec	-0.28
			11/17/21	5.47	5.75 Dec	-0.28
			11/24/21	5.59	5.80 Dec	-0.21
			12/01/21	5.43	5.72 Mar	-0.29
			12/08/21	5.67	5.87 Mar	-0.20
			12/15/21	5.66	5.86 Mar	-0.20
			12/22/21		Mar	
			12/29/21		Mar	
			01/05/22		Mar	
			01/12/22		Mar	
			01/19/22		Mar	
			01/26/22		Mar	

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Basis history can be used to know trends and historical tendencies



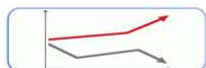
23

Basis knowledge can help “decouple” marketing decisions

Cash sales and simple forward cash contracts
lock in both price and basis.



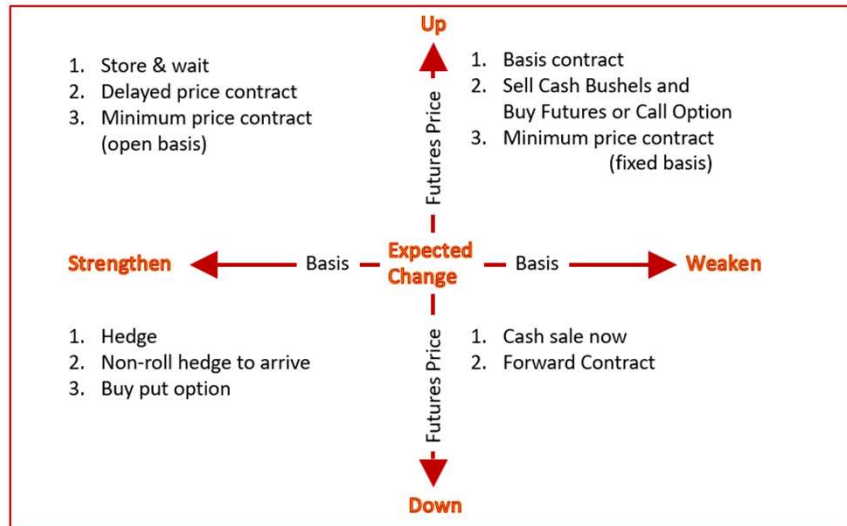
Breaking apart the price and basis decision can allow you
to lock in price and basis at different times!



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Basis knowledge can help in marketing tool selection

Crop Marketing Matrix



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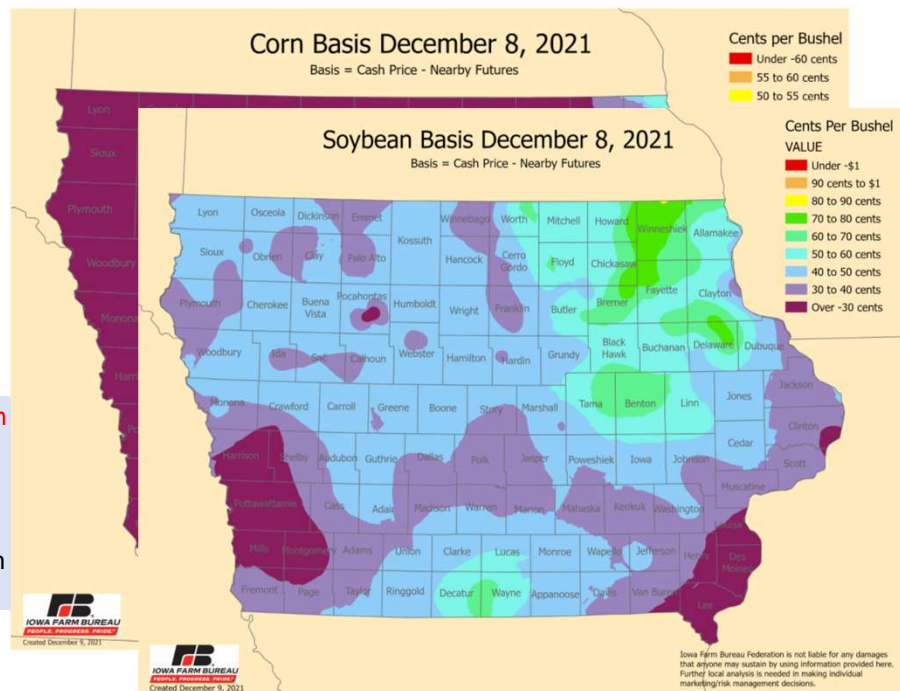
Iowa Corn and Soybean Basis Maps

Visuals to see geographic & weekly differences

www.iowafarmbureau.com

Farmer Resources,
Markets/Farm Financials,
Market & Ag Information

Or search "basis maps" on
FB website



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MISTAKE #2: FAILURE TO UNDERSTAND AND TRACK YOUR BASIS

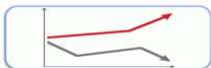
Basis continues to evolve and change.
Keep up with the changes.
You must have an opinion!

Third Thursday: 2021-22 Crop Marketing Series

Failure to understand and track your basis

Summary Points:

- Local cash price =
futures price (worldwide factors) & basis (local factors)
- $\text{Basis} = \text{Cash Price} - \text{Futures Price}$
- Why track local basis:
 - Evaluate forward and cash bids
 - Know trends and tendencies
 - Help select marketing tools



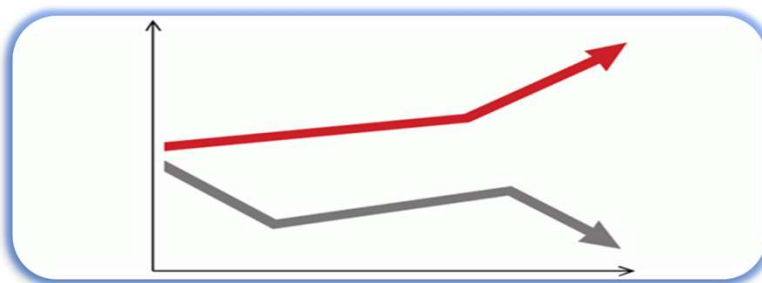
MARKETING IS NOT EASY!

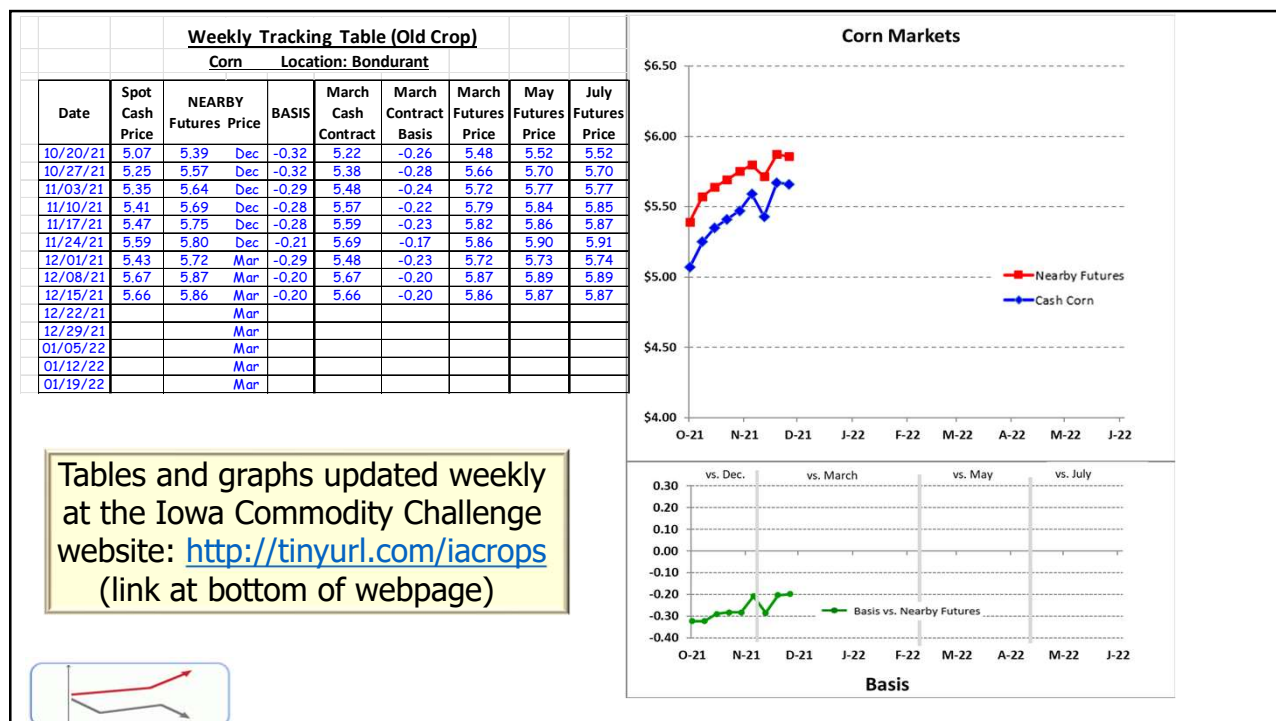
An approach that works **over** time is
not guaranteed to work **every** time.

MARKETING WILL NEVER BE EASY!

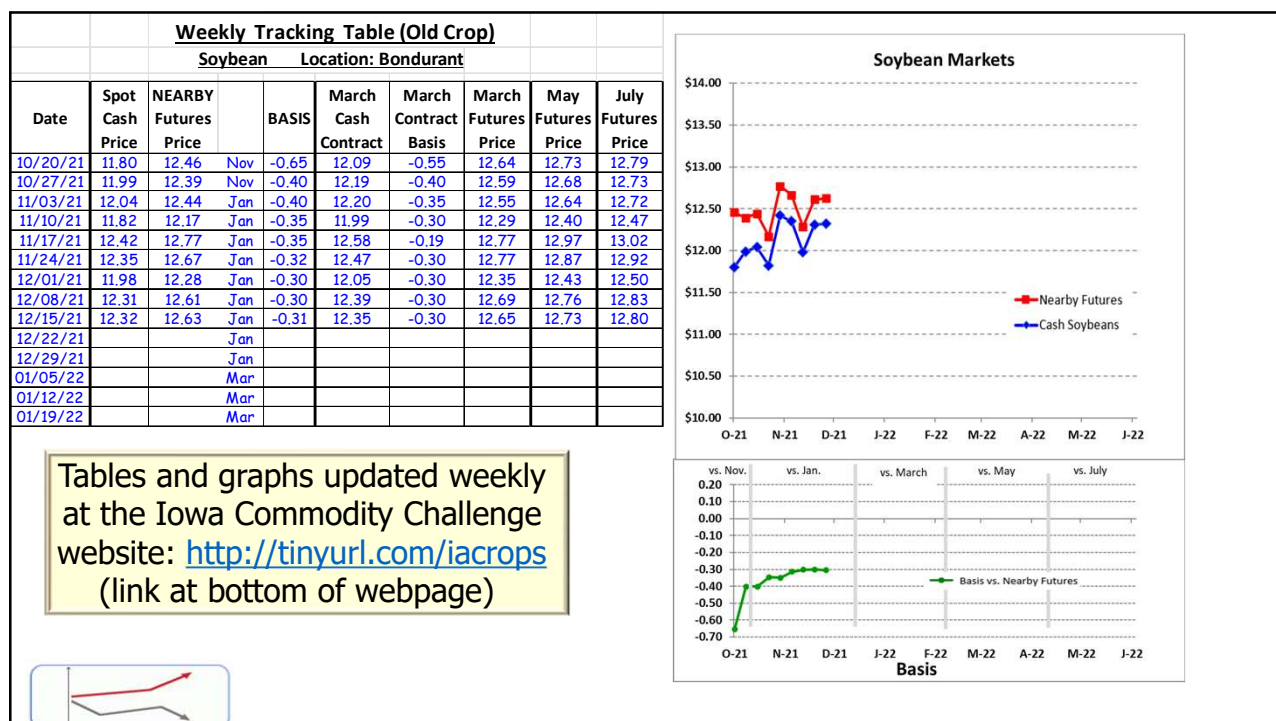
Nothing is 100%

Corn and Soybean Market Update: Futures, Cash, Basis



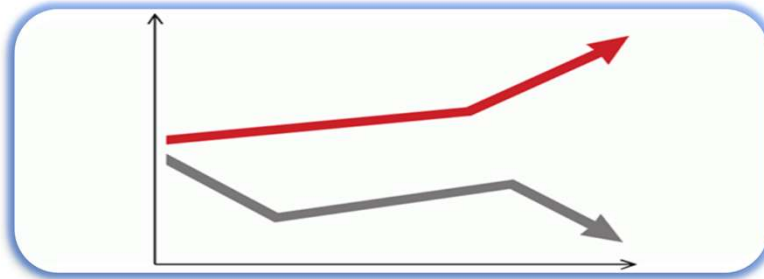


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Example 2021-22 Crop Marketing Plans



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2021-22 Iowa Commodity Challenge: Example Marketing Plans

2021-22 Corn Marketing Plan

Diverse Marketer (+10% vs. harvest cash)

Details: 75,000 corn bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 30,000 bushels cash corn at the market: **\$5.00**
- October 20: Sold 15,000 bushels cash corn at the market: **\$5.00**
Bought 3 July corn futures contracts at **\$5.45**; Goal: \$5.96 (+10%) or ~~June 1~~ March 16.
11/24/21 Sold 3 July corn futures contracts at \$5.96
- October 20: Sold 15,000 bushels cash corn at the market: **\$5.00**
Bought 3 July \$5.50 corn call options at **\$0.41** premium; Goal \$0.92 (+10%) or ~~June 1~~ March 16.
- October 20: Store 15,000 bushels cash corn; Goal: +10% vs. harvest cash or ~~June 1~~ March 16. (see "Crop Storer" schedule)
11/1/21 Sold 15,000 bu. @ \$5.53 for 50 cent margin

2021-22 Soybean Marketing Plan

Diverse Marketer (+10% vs. harvest cash)

Details: 25,000 soybean bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 10,000 bushels cash soybeans at the market: **\$11.76**
- October 20: Sold 5,000 bushels cash soybeans at the market: **\$11.76**
Bought 1 July soybean futures contract at **\$12.73**; Goal: \$13.91 (+10%) or ~~June 1~~ March 16.
- October 20: Sold 5,000 bushels cash soybeans at the market: **\$11.76**
Bought 1 July \$12.80 soybean call option at **\$0.72** premium; Goal \$1.91 (+10%) or ~~June 1~~ March 16.
- October 20: Store 5,000 bushels cash soybeans; Goal: +10% vs. harvest cash or ~~June 1~~ March 16. ("Crop Storer" schedule)



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2021-22 Iowa Commodity Challenge: Example Marketing Plans

2021-22 Corn Marketing Plan

Crop Storer (+10% vs. harvest cash)

Details: 75,000 corn bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Store 75,000 bushels cash corn; Goal: Sell at 50¢ gain above storage or ~~June 1~~ March 16.

	Harvest Cash	+	Gain Goal	+	Storage	=	Price goal
November	\$5.00	+	0.50	+	0.03	=	\$5.53
December	\$5.00	+	0.50	+	0.06	=	\$5.56
January	\$5.00	+	0.50	+	0.09	=	\$5.59
February	\$5.00	+	0.50	+	0.12	=	\$5.62
March	\$5.00	+	0.50	+	0.15	=	\$5.65
April	\$5.00	+	0.50	+	0.18	=	\$5.68
May	\$5.00	+	0.50	+	0.21	=	\$5.71

11/1/21 Sold 75,000 bu.
@ \$5.53 for 50¢ margin

*(\$5.00 [harvest cash] + 0.50 [gain] + .21 [7 months at 3¢] = \$5.71

2021-22 Soybean Marketing Plan

Crop Storer (+10% vs. harvest cash)

Details: 25,000 soybean bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Store 25,000 bushels cash soybeans; Goal: Sell at \$1.18¢ gain above storage or ~~June 1~~ March 16.

	Harvest Cash	+	Gain Goal	+	Storage	=	Price goal
November	\$11.76	+	1.18	+	0.06	=	\$13.00
December	\$11.76	+	1.18	+	0.12	=	\$13.06
January	\$11.76	+	1.18	+	0.18	=	\$13.12
February	\$11.76	+	1.18	+	0.24	=	\$13.18
March	\$11.76	+	1.18	+	0.30	=	\$13.24
April	\$11.76	+	1.18	+	0.36	=	\$13.30
May	\$11.76	+	1.18	+	0.42	=	\$13.36

*(\$11.76 [harvest cash] + 1.18 [gain] + .42 [7 months at 6¢] = \$13.36



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2021-22 Iowa Commodity Challenge: Example Marketing Plans

2021-22 Corn Marketing Plan

Futures Buyer (+10% vs. harvest cash)

Details: 75,000 corn bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 75,000 bushels cash corn at the market: **\$5.00**
Bought 15 July corn futures contracts at **\$5.45**; Goal: \$5.96 (+10%) or ~~June 1~~ March 16.
11/24/21 Sold 15 July corn futures contracts at \$5.96

Update: 12/15/21
Cash up 66¢ at \$5.66
Futures up 42¢ at \$5.87

2021-22 Soybean Marketing Plan

Futures Buyer (+10% vs. harvest cash)

Details: Details: 25,000 soybean bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 25,000 bushels cash soybeans at the market: **\$11.76**
Bought 5 July soybean futures contracts at **\$12.75**; Goal: \$13.94 (+10%) or ~~June 1~~ March 16.

Update: 12/15/21
Cash up 56¢ at \$12.32
Futures up 5¢ at \$12.80



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2021-22 Iowa Commodity Challenge: Example Marketing Plans

2021-22 Corn Marketing Plan

Call Buyer (+10% vs. harvest cash)

Update: 12/15/21
Cash up 66¢ at \$5.66
Option up 19¢ at 0.60

Details: 75,000 corn bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 75,000 bushels cash corn at the market: **\$5.00**
Bought 15 July \$5.50 corn call options at \$0.41 premium; Goal \$0.92 (+10%) or ~~June 1~~ March 16.

2021-22 Soybean Marketing Plan

Call Buyer (+10% vs. harvest cash)

Update: 12/15/21
Cash up 56¢ at \$12.32
Option down 6¢ at 0.66

Details: Details: 25,000 soybean bushels from the 2021 crop harvested on October 20, 2021
Must be marketed by ~~June 15, 2022~~ March 16, 2022

- October 20: Sold 25,000 bushels cash soybeans at the market: **\$11.77**
Bought 5 July \$12.80 soybean call options at \$0.72 premium; Goal \$1.91 (+10%) or ~~June 1~~ March 16.



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2021-22 Iowa Commodity Challenge: Example Marketing Plans

2021-22 Corn Marketing Plan

Harvest Seller

Update: 12/15/21
Cash up 66¢ at \$5.66

Details: 75,000 corn bushels from the 2021 crop harvested on October 20, 2021

- October 20: Sold 75,000 bushels cash corn at the market: **\$5.00**

2021-22 Soybean Marketing Plan

Harvest Seller

Update: 12/15/21
Cash up 56¢ at \$12.32

Details: 25,000 soybean bushels from the 2021 crop harvested on October 20, 2021

- October 20: Sold 25,000 bushels cash soybeans at the market: **\$11.76**



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Leaderboard			
Graphical View		Grid View	
Player	Soybeans 10/20/2021 (per bu.)	Corn 10/20/2021 (per bu.)	Balance
	\$12.48	\$5.66	\$736,282.72
	\$12.25	\$5.68	\$732,456.25
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.33	\$5.66	\$732,437.50
	\$12.31	\$5.66	\$731,972.29
	\$12.33	\$5.63	\$730,701.93
	\$12.30	\$5.62	\$728,804.08
	\$12.30	\$5.61	\$728,561.79
	\$12.15	\$5.59	\$723,108.51
Crop Storer ..	\$12.33	\$5.52	\$721,913.36
	\$12.28	\$5.49	\$719,062.50
Futures Buyer ..	\$11.80	\$5.50	\$707,626.71
Diverse Marketer ..	\$11.87	\$5.24	\$689,509.04
Call Option Buyer ..	\$11.70	\$5.18	\$681,126.71
Harvest Seller ..	\$11.76	\$5.00	\$668,876.71

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Iowa Commodity Challenge webpage

<http://tinyurl.com/ICCtools>

For Iowa Commodity Challenge market simulation instructions and example marketing plans, [please click here](#).

Topic	Presentation	PDF Handout	Presenter
1. Introduction to Crop Marketing	Video	Handout	Chad Hart, ISU Extension and Outreach
2. Successful Market Planning	Video	Handout	Ed Kordick, Iowa Farm Bureau Federation
3. Futures Hedging	Video	Handout	Ed Kordick, Iowa Farm Bureau Federation
4. Futures Hedging and Basis Movement	Video	Handout	Ed Kordick, Iowa Farm Bureau Federation
5. Using Crop Contracts	Video	Handout	Ray Jenkins, ISU Crop Marketing Extension Educator
6. Working with Your Grain Merchandiser	Video	Handout	Ray Jenkins, ISU Crop Marketing Extension Educator
7. Basis, Carry and Cost of Ownership	Video	Handout	Steve Johnson, ISU Extension and Outreach
8. Forward Cash Contracts	Video	Handout	Steve Johnson, ISU Extension and Outreach
9. Margin Flows	Video	Handout	Chad Hart, ISU Extension and Outreach
10. Basic Options, Intrinsic and Time Value	Video	Handout	Chad Hart, ISU Extension and Outreach
11. Store Cash Bushels and Buy/Put Option	Video	Handout	Ed Kordick, Iowa Farm Bureau Federation
12. Sell Cash Bushels and Buy/Call Option	Video	Handout	Ed Kordick, Iowa Farm Bureau Federation
13. Pre-Harvest Marketing New Crop	Video	Handout	Steve Johnson, ISU Extension and Outreach
14. Conquer Marketing Concerns	Video	Handout	Steve Johnson, ISU Extension and Outreach
15. Does Storing Unpriced Crops Really Pay?	Video	Handout	Steve Johnson, ISU Extension and Outreach

View all videos on the ISU Extension and Outreach [Iowa Commodity Challenge Vimeo channel](#).

For the UPDATED Iowa Commodity Challenge Marketing Tool Workbook, [please click here](#).

For the 2021 Estimated Costs of Production, [please click here](#).

For the Crop Marketing Matrix (tools that fit different market situations), [please click here](#).

For blank Marketing Planning & Transaction Log Worksheets (editable), [please click here](#).

Updated: For the 2021-22 Iowa Commodity Challenge Weekly Tracking Table and Charts (11/24/21), [please click here](#).

For the 2021 New Crop Iowa Commodity Challenge Weekly Tracking Table and Charts (10/20/21), [please click here](#).

Information is also available at www.iowafarmbureau.com. Questions? Contact [Ed Kordick](#).

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Third Thursday: 2021-22 Crop Marketing Series

Live at 1:00 pm, also recorded for later viewing

- Nov. 18, 2021: Thinking you avoid storage costs when you sell grain and buy a call
- Dec. 16, 2021: Failure to understand and track your basis
- Jan. 20, 2022: The reluctance towards pre-harvest pricing
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2021-22 Iowa Commodity Challenge

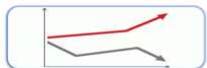
Your invitation:

Join the 2021-22 Iowa Commodity Challenge simulation to practice with real markets and see how the strategies of Diverse Marketer, Crop Storer, Futures Buyer and Call Option Buyer perform as the crop year continues.

How to Join:

The follow-up webinar evaluation has question #3 asking if you would like the instructions emailed to you to join the 2021-22 Iowa Commodity Challenge (this also adds you to a group to receive periodic crop marketing education e-mails from Ed Kordick. Just enter your e-mail address in the box!

OR send me an e-mail ekordick@ifbf.org and I will reply with these instructions!



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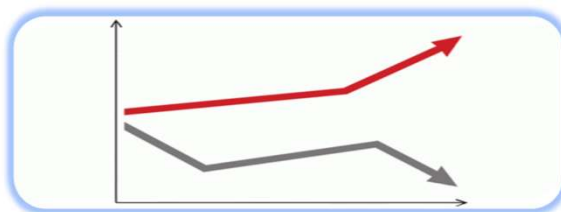
WHY IS AN IMPERFECT PLAN BETTER THAN NO PLAN AT ALL?



A plan is a benchmark for your goals.

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

Third Thursday: 2021-22 Crop Marketing Series



Join me next time:
Jan. 20, 2022:
The reluctance towards
pre-harvest pricing

Ed Kordick
Farmer Education Program Manager
ekordick@ifbf.org
www.iowafarmbureau.com

