



Creating Your Marketing Plan

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Topics

- Developing a marketing plan
- Answering the essential marketing questions



Marketing Plan Parts

- How much do you expect to produce?
- When do you need to move my grain?
- What is your farm profit and loss today? (breakeven level)
- How much do you sell before harvest?
- What is going to cause you to sell?
- How are you going to protect your cash price?
- What do you do once you sell and conditions change?



How much do you expect to produce?

Expected Production

Crop _____ Acres _____ x Expected Yield _____ = Expected Production _____

Crop _____ Acres _____ x Expected Yield _____ = Expected Production _____



When do you need to move my grain?

Grain Movement Schedule

Month	Crop	Crop
Harvest		
November		
December		
January		
February		
March		
April		
May		
June		
July		
August		

2017 Marketing Plan					
Name	Joe Farmer		Crop Acreage and Production Estimates		
Production - Expected this Year					
Acres - Irrigated/Planted or Intended	200	200	0	0	0
Yield - APH	150	80	0	0	0
Crop Insurance % - Type AP	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	113	60			
Yield - Expected this Crop Year	100	60	0	0	0
Production - APH	37,500	16,000			
Production - Insured	28,125	7,500			
Production - Expected	62,500	17,500			
Acres - Irrigated/Planted or Intended	200	200	0	0	0
Yield - APH	200	10	0	0	0
Crop Insurance % - Type	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	150	53			
Yield - Expected this Crop Year	200	15	0	0	0
Production - APH	50,000	17,500			
Production - Insured	37,500	13,125			
Production - Expected	52,500	19,750			
Total Production - APH	87,500	27,500			
Total Production - Insured	65,625	20,625			
Total Production - Expected	95,000	31,250			
Risks					
Seasonal Sales Strategy (HTA Sales)			Entered in Strategies		
Seasonal Sales Strategy (HTA Sales)	30,000	10,000			
Seasonal Sales Strategy (HTA Sales)	25,000	11,000			
Calls on Uninsured bushels	65,000	20,000			
Puts on Uninsured bushels	30,000	10,000			
Harvest Schedule					
Harvest Delivery Sep-Oct-Nov			Planned Delivery Locations		
Harvest Delivery Sep-Oct-Nov	0	31,250			
December	10,000				
January					
February					
March	30,000				
April	15,000				
May					
June					
July	20,000				
August					
Expected Production minus Planned Deliveries	0	0	0	0	0
Storage Space Available on the Farm	100,000	0			
Grain Buyers					
# 1 Preference			Preferred Delivery Locations		
# 1 Preference	Carroll, NC	Carroll, NC			
# 2 Preference	Hamlet, NC				
# 3 Preference					
Additional Farm Information					
Estimated Break Even Point	\$4.00	\$10.00			
Estimated Production Cost Per Acre	\$500	\$600			
Minimum Insurance Buy Guarantee per Acre	\$200	\$300			
Enter Additional Crop Data Here					

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What is your farm profit and loss today? (breakeven level)

Breakeven Prices

Crop _____
 Crop _____

Breakeven _____
 Breakeven _____

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What is your farm profit and loss today?

Jeff Peterson 2016 Change
3

Summary
Profiles
Cash sales
Brokerage
Payments
Insurance
Targets
Plan
Reports
Settings

Current Revenue
\$946,901

Target Revenue
\$842,430

Above Target
↑ \$104,471

Crain Livebook Grids Per acre Per unit

Acres	Head	Cash sales	Brokerage	Payments
831	197.00	\$941,302	↑ \$5,599	\$0

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How much do you sell before harvest?

Pre-harvest Sale Amount

Crop _____ Acres _____ APH _____ Insured Level _____ Insured Bushels _____

Crop _____ Acres _____ APH _____ Insured Level _____ Insured Bushels _____

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How much do I sell before harvest?

- **Sell up to your insured yields (RP Crop Insurance)**
- **Protect the unsold bushels with puts**

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How to Calculate Your Insured Yield

Actual Production History (APH) from crop insurance
Insured Level is the level of crop insurance coverage

Insured Yield = APH x Insured Level

APH = 180

Insured Level 75%

Insured Yield = $180 \times .75 = 135$ bushels per acre

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What Are Puts?

Price insurance based off the Futures Market that can be used to protect price if the markets lower. Traded on the CME (Chicago Board of Trade).

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Buying Put - Lower Market

Date	Action	Futures Price	Premium
4/5/18	Buy 4.00 May Put	4.00	14 cents
4/10/18	Sell 4.00 May Put	3.90	17 cents
	Gain		3 cents

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Buying Put - Higher Market

Date	Action	Futures Price	Premium
4/5/18	Buy 4.00 May Put	4.00	14 cents
4/10/18	Sell 4.00 May Put	4.10	7 cents
			-7 cents







Buy Put Example Lower Market Basis Same

Date	Cash	Futures	Basis	Put Option
4-11-18	Oct Delivery \$3.50	CZ18 4.00	-.50	Buy CZ18 4.00 Put @ 20 cents
10-20-18	Oct Delivery \$3.00	CZ18 3.50	-.50	Sell CZ18 4.00Put @ 52 cents
MSP	$4.00 - .20 + (-.50) = 3.30$			
Actual Selling Price	$\$3.00 + .32 = 3.32$			
				Put Profit = .32

Minimum Selling Price (MSP) = Strike Price – Premium + Basis
 Actual Selling Price (ASP) = Cash Price Received + p/l of option






Buy Put Example Higher Market Basis Same

Date	Cash	Futures	Basis	Put Option
4-11-18	Oct Delivery \$3.50	CZ18 4.00	-.50	Buy CZ18 4.00 Put @ 20 cents
10-20-18	Oct Delivery \$4.00	CZ18 4.50	-.50	Sell CZ18 4.00Put @ 1 cent
MSP	$4.00 - .20 + (-.50) = 3.30$			
Actual Selling Price	$4.00 - .19 = 3.81$			
				= -.19

Minimum Selling Price (MSP) = Strike Price – Premium + Basis
 Actual Selling Price (ASP) = Cash Price Received + p/l of option

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How are you going to protect your cash price?

Types of Contracts to Use

Contract _____ Bushel Amount _____

Contract _____ Bushel Amount _____

Contract _____ Bushel Amount _____

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How are you going to protect your cash price?

- **Cash Price = Futures Price + Basis**
- **Basis = Cash Price – Futures Price**
- **Manage all the price risks separately by using a HTA contract.**
 - **Futures Risk**
 - **Basis Risk**

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Cash Marketing Alternatives

1. Cash Forward Contract
2. Hedge-to-Arrive Contract (NBE, Futures First, HTA)

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- Cash Price = Futures Price + Basis

Or

- Basis = Cash Price – Futures Price

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1. Cash Forward Contract

- Cash contract that allows producer to sell cash commodity for delivery at a future date
 - Requires physical delivery
 - Quantity not standardized
 - Not a “Futures Contract”
- “Locks In” the cash price
 - Both futures price and basis are “locked in”


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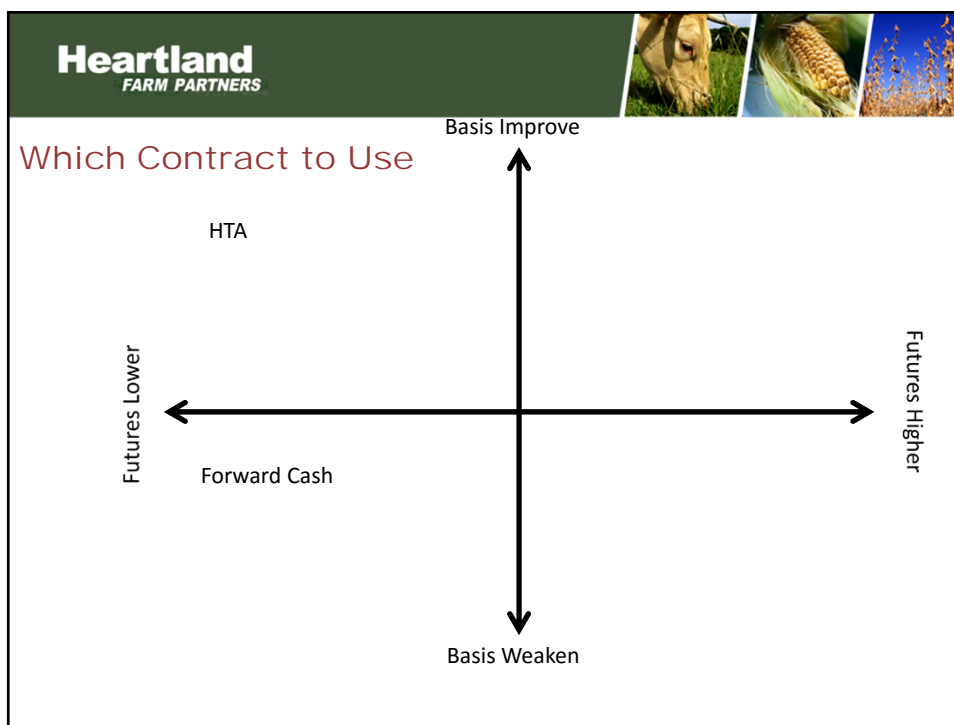
2. Hedge To Arrive

- Seller establishes Futures Price with buyer and leaves basis level unestablished
 - Cash price is **NOT** “Locked In”
 - Basis price is **NOT** “Locked In”
 - Futures is “Locked In”
- Basis is set prior to time of delivery
- Commonly known as “HTA, NBE or Futures First”

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Contract Type	Futures Price	Basis Price
Cash - Forward	Yes	Yes
HTA	Yes	




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Forward Cash Contract

On 4-7-18, Sold corn. Futures Price = 4.15 and basis = -.30. Delivery was for October 2018

On 10-18-18, Delivered the grain. Futures Price = 4.00 and Basis = -.30.


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Forward Cash Contract

Date	Cash	Futures	Basis
4-17-18	3.85	4.15	-.30
10-18-18	3.70	4.00	-.30
Actual Sale Price =		3.85	


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HTA Example

On 4-7-18, Sold corn. Futures Price = 4.15 and basis = -.30. Delivery was for October 2017

On 10-18-18, Delivered the grain. Futures Price = 3.50 and Basis = -.20.


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HTA Example

Date	Cash	Futures	Basis
4-7-18	3.85	4.15	-.30
10-18-18	3.30	3.50	-.20
Actual Sale Price = $4.15 + -.20 = 3.95$			

2017 Marketing Plan					
Name	Use Farms				
9/22/2016	Crop Acreage and Production Estimate				
Production & Insurance Info	Corn	Soybeans	Other Crop	Other Crop	Other Crop
Acres - Dryland Planted or Intended	250	250	0	0	0
Yield - APH	150	60	0	0	0
Crop Insurance % - <u>Type AP</u>	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	113	30	0	0	0
Yield - Expected this Crop Year	170	50	0	0	0
Production - APH	37,500	15,000			
Production - Insured	28,125	7,500			
Production - Expected	42,500	12,500			
Acres - Irrigated planted or intended	250	250	0	0	0
Yield - APH	200	70	0	0	0
Crop Insurance % - <u>Type</u>	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	150	52	0	0	0
Yield - Expected this Crop Year	210	75	0	0	0
Production - APH	50,000	17,500			
Production - Insured	37,500	13,125			
Production - Expected	42,500	19,750			
Total Production - APH	87,500	32,500			
Total Production - Insured	65,625	20,625			
Total Production - Expected	85,000	31,250			
Grain Strategies	Barrels - Insured vs. Strategies				
Seasonal Sales Strategy (HTA Sales)	30,000	10,000			
Stochastics (HTA Sales)	35,000	11,000			
Calls to defend sold bushels	45,000	20,000			
Puts on Uninsured bushels	30,000	10,000			
Delivery Schedule	Estimated Total Tons for Grain Deliveries				
Harvest Delivery Sep-Oct-Nov	0	31,250			
December	15,000				
January					
February					
March	50,000				
April	15,000				
May					
June					
July	20,000				
August					
Expected Production <u>minus</u> Planned Deliveries	0	0	0	0	0
Storage Space Available on the Farm	100,000	0			
Grain Buyers	Preferred Delivery Locations				
# 1 Preference	Target Carlisle, NE	Target Carlisle, NE			
# 2 Preference	Flexible Hudson, NE				
# 3 Preference					
Additional Farm Information					
Estimated Break Even Point	\$4.00	\$10.00			
Estimated Production Cost Per Acre	\$800	\$600			
Minimum Insurance Rev Guarantee per Acre	\$500	\$307			
Enter Additional Client Data Here					

What is going to cause you to sell?

Timing of Sales

Method 1 _____

Method 2 _____

Method 3 _____



What is going to cause you to sell?

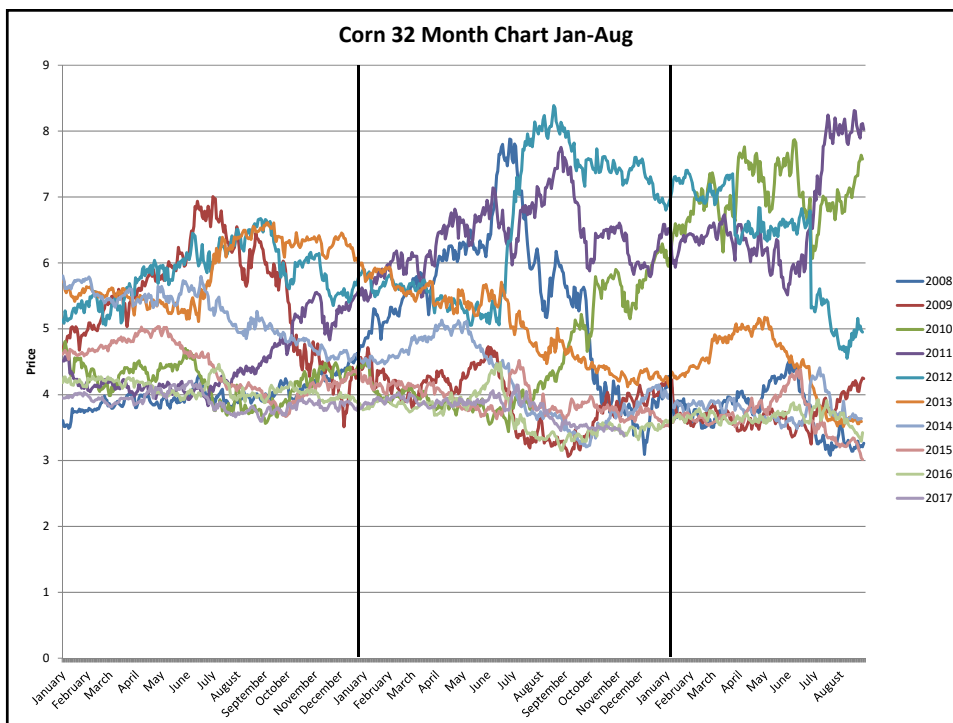
- **Farm Profit and Loss**
- **Technical Indicators**
- **Supply and Demand Change**
- **Gut Feel**
- **Advisor**

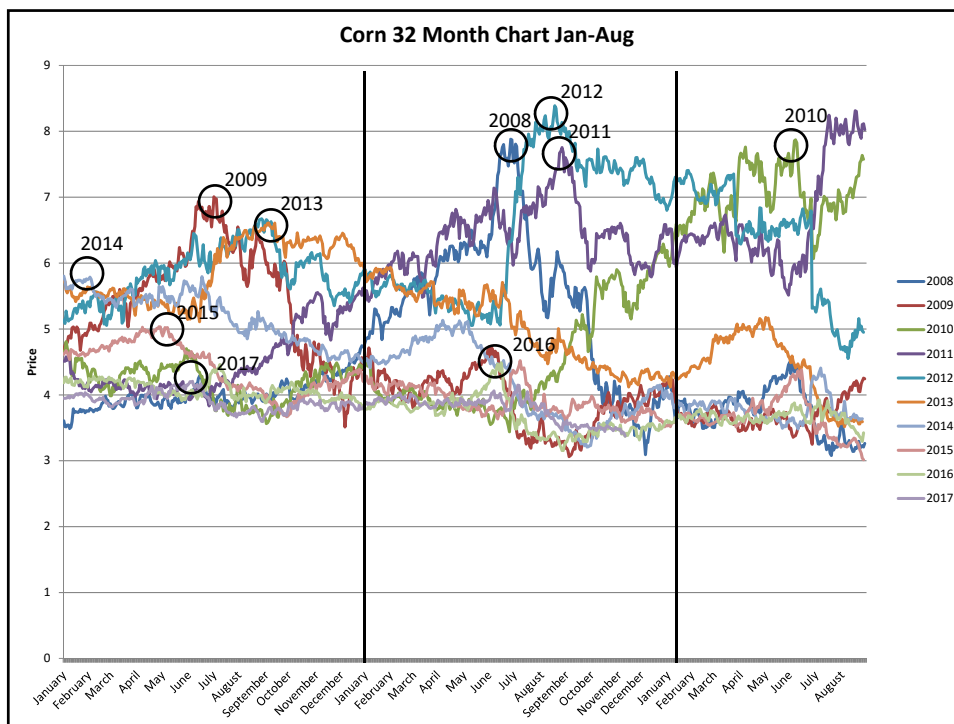


What is going to cause you to sell?

- **Farm Profit and Loss**
- **Technical Indicators**
- **Supply and Demand Change**
- **Gut Feel**
- **Advisor**

2017 Marketing Plan					
Name	Use Fields				
9/22/2016	Crop Acreage and Production Estimate				
Production & Insurance Info	Corn	Soybeans	Other Crop	Other Crop	Other Crop
Acre - Dryland Planted or Intended	250	250	0	0	0
Yield - APH	150	40	0	0	0
Crop Insurance % - Top AP	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	113	30	0	0	0
Yield - Expected this Crop Year	170	50	0	0	0
Production - APH	37,500	10,000			
Production - Insured	28,125	7,500			
Production - Expected	42,500	12,500			
Acre - Irrigated planted or intended	250	250	0	0	0
Yield - APH	200	70	0	0	0
Crop Insurance % - Top	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	150	52	0	0	0
Yield - Expected this Crop Year	210	75	0	0	0
Production - APH	50,000	17,500			
Production - Insured	37,500	13,125			
Production - Expected	42,500	19,750			
Total Production - APH	87,500	27,500			
Total Production - Insured	65,625	20,625			
Total Production - Expected	85,000	31,250			
Grain Strategies	Bushels Available on Strategies				
Seasonal Sales Strategy (HTA Sales)	30,000	10,000			
Stochastics (HTA Sales)	35,000	11,000			
Calls to deferred sold bushels	45,000	20,000			
Puts on Uninsured bushels	30,000	10,000			
Delivery Schedule	Estimated Total Tons for Grain Deliveries				
Harvest Delivery Sep-Oct-Nov	0	31,250			
December	15,000				
January					
February					
March	50,000				
April	15,000				
May					
June					
July	20,000				
August					
Expected Production minus Planned Deliveries	0	0	0	0	0
Storage Space Available on the Farm	100,000	0			
Grain Buyers	Preferred Delivery Locations				
# 1 Preference	Carroll, NE	Carroll, NE			
# 2 Preference	Franklin, NE				
# 3 Preference					
Additional Farm Information					
Estimated Break Even Point	\$4.00	\$10.00			
Estimated Production Cost Per Acre	\$800	\$600			
Minimum Insurance Rev Guarantee per Acre	\$500	\$307			
Enter Additional Client Data Here					





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What do you do once you sell and conditions change?

- Do nothing
- Buy Calls



What Are Calls?

Price insurance based off the Futures Market that can be used to protect price if the markets go higher. Traded on the CME (Chicago Board of Trade).



Buying Call - Lower Market

Date	Action	Futures Price	Premium
4/5/18	Buy 4.00 May Call	4.00	14 cents
4/10/18	Sell 4.00 May Call	3.90	7 cents
			-7 cents

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Buying Call – Higher Market

Date	Action	Futures Price	Premium
4/5/18	Buy 4.00 May Call	4.00	14 cents
4/10/18	Sell 4.00 May Call	4.10	17 cents
			3 cents

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Forward Cash +Call Example Higher Market Basis Same

Date	Cash	Futures	Basis	Call Option
4-11-18	Oct Delivery \$3.50	CZ18 4.00	-.50	Buy CZ18 4.00 Call @ 20 cents
10-20-18	Oct Delivery \$4.00	CZ18 4.50	-.50	Sell CZ18 4.00 Call @ 52 cents
MSP	$4.00 - .20 + (-.50) = 3.30$			
Actual Selling Price	$\$3.50 + .32 = 4.32$			= 32 cents

Minimum Selling Price (MSP) = Futures Price – Premium + Basis
 Actual Selling Price (ASP) = Cash Price Received + p/l of option



Forward Cash +Call Example Lower Market Basis Same

Date	Cash	Futures	Basis	Call Option
4-11-18	Dec Delivery \$3.50	CZ18 4.00	-.50	Buy CZ18 4.00 Call @ 20 cents
10-20-18	Dec Delivery \$3.00	CZ18 3.50	-.50	Sell CZ18 4.00 Call @ 1 cent
MSP	4.00 - .20 + (-.50) = 3.30			
Actual Selling Price	\$3.50 + (-.19) = 3.31			
				-.19

Minimum Selling Price (MSP) = Futures Price – Premium + Basis
 Actual Selling Price (ASP) = Cash Price Received + p/l of option

2017 Marketing Plan					
Name	Use Farms		Crop Acreage and Production Estimates		
9/22/2016	Corn	Soybeans	Other Crop	Other Crop	Other Crop
Production & Insurance Info					
Acres - Irrigated Planted or Intended	250	250	0	0	0
Yield - APH	190	40	0	0	0
Crop Insurance % - Type AP	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	113	30			
Yield - Expected this Crop Year	120	40	0	0	0
Production - APH	37,500	10,000			
Production - Insured	28,125	7,500			
Production - Expected	42,250	12,500			
Acres - Irrigated Planted or Intended	250	250	0	0	0
Yield - APH	200	10	0	0	0
Crop Insurance % - Type _____	75%	75%	0%	0%	0%
Yield - Insured with Crop Insurance	150	53			
Yield - Expected this Crop Year	210	75	0	0	0
Production - APH	50,000	17,500			
Production - Insured	37,500	13,125			
Production - Expected	42,500	18,750			
Total Production - APH	87,500	27,500			
Total Production - Insured	65,625	20,625			
Total Production - Expected	95,000	31,250			
Sales Strategies			Booked	Encoded in Strategies	
Seasonal Sales Strategy (HTA Sales)	30,000	10,000			
Stochastics (HTA Sales)	35,000	11,000			
Calls to deliver sold bushels	45,000	20,000			
Puts on Uninsured bushels	30,000	10,000			
Delivery Schedule			Estimated Time Frame for Grain Deliveries		
Harvest Delivery Sep-Oct-Nov	0	21,250			
December	10,000				
January					
February					
March	50,000				
April	15,000				
May					
June	20,000				
July					
August					
Expected Production minus Planned Deliveries	0	0	0	0	0
Storage Space Available on the Farm	100,000	0			
Grain Buyers			Preferred Delivery Locations		
# 1 Preference	Carroll Carroll, IA	Carroll Carroll, IA			
# 2 Preference	Polk Harmon, IA				
# 3 Preference					
Additional Farm Information					
Estimated Break Even Point	\$4.00	\$10.00			
Estimated Production Cost Per Acre	\$3.00	\$6.00			
Minimum Insurance Rev Guarantee per Acre	\$3.00	\$3.00			



Corn Price Outlook

- Nearby Futures Prices between now and March
 - Our Estimate 3.36 to 3.70 (Last Year 3.80)
- Nearby Futures Prices between now and July
 - Our Estimate 3.36 to 3.87 (Last Year 3.94)
- December 2018 Futures between now and Harvest

Assuming Normal Weather (175.4 Yield in 2017, 2.487 Billion Carry Out, 3.36 Dec 2017 Low)

 - Our Estimate 2.200 Billion Carry Out, No Change in Acres, 173.5 Yield
 - Our Estimate 3.36 to 4.10 (Last Year 4.1725)
 - Reduce Acres 2 million acres 2.115 Billion Carry Out, 173.5 Yield
 - Our Estimate 3.50 to 4.20 (Last Year 4.1725)



Special Offer

- Receive a free subscription to our afternoon video commentary (we have other formats available also)
- Receive a free trial to our Farm Profitability Software
- You can sign up at our website at www.heartlandfarmpartners.com

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Thank You and Questions!