

Take the *Intimidation Out* of Grain Marketing



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1

Who is the Farm Girl Next Door?



- Nebraska farm girl
- Ag professional
- Passionate about helping women feel confident about grain marketing
- Online course creator



2

ACTIVITY

What's the most recent grain sale your operation has made?

- Write it on a sticky note
- Try to recall the details of the grain sale:
Contract type, price, buyer, delivery window

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3

**What we're
going to cover**

- futures market vs. cash market
- cash bids
- basis
- cash bid sheets
- practice making grain marketing decisions

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4

Futures Market

Cash Market



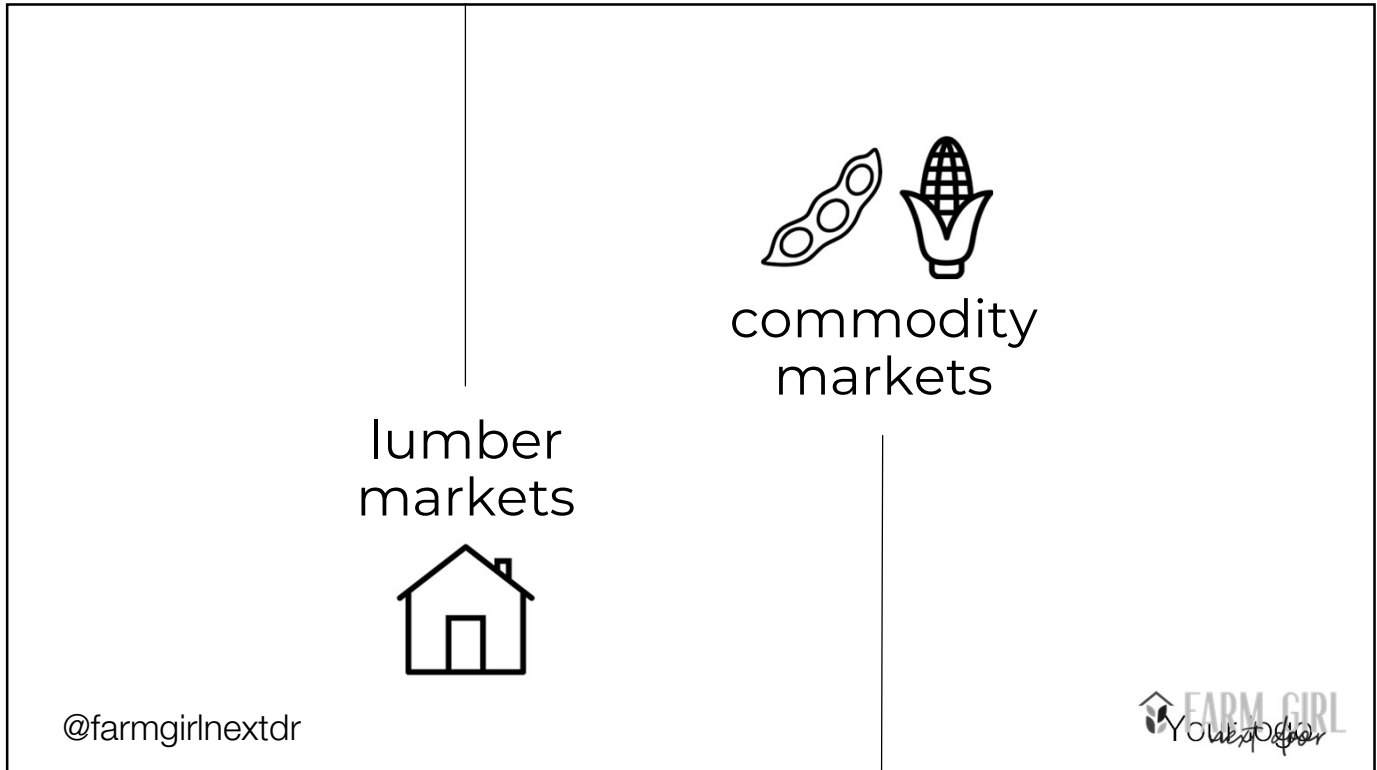
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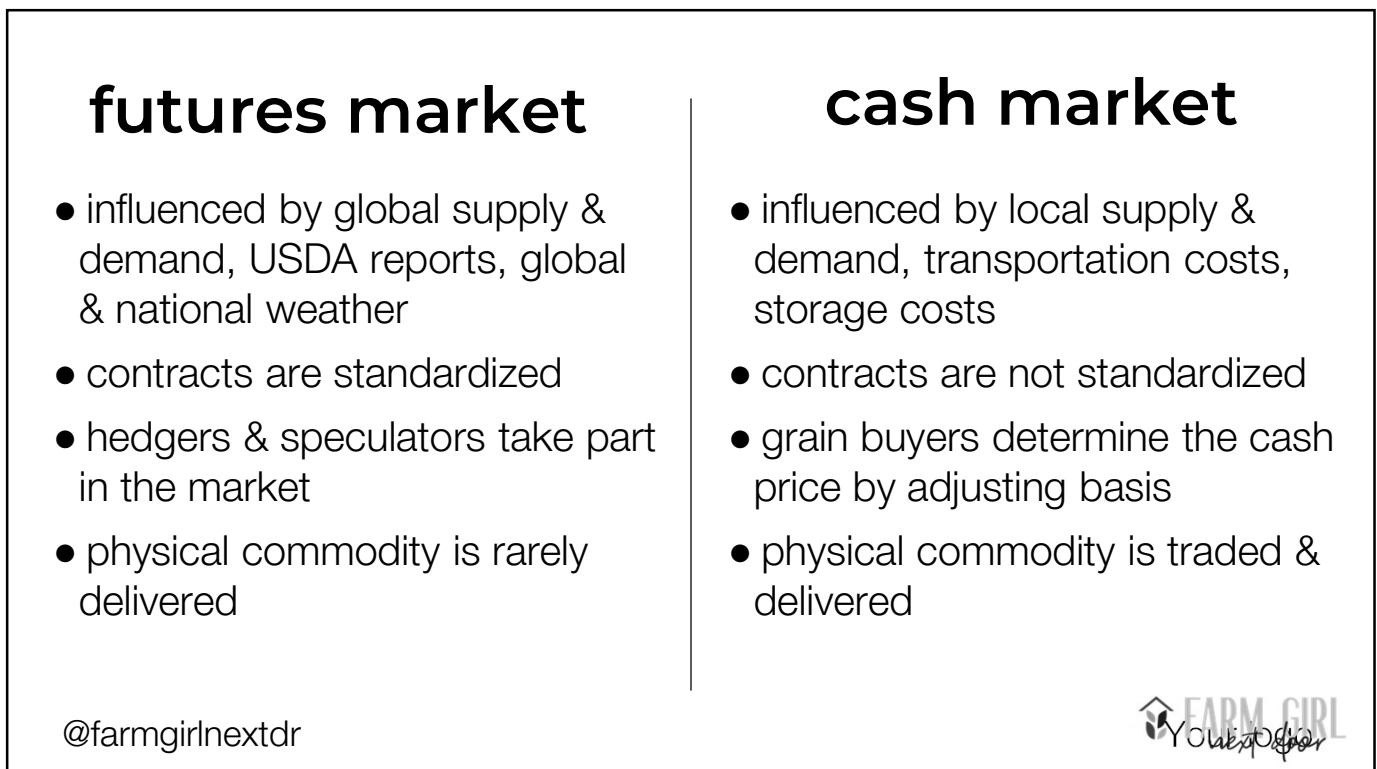
building a house

- you need lumber in 12 months
- there's a surplus of lumber globally, and lumber futures prices are low
- prices at the lumber yard you plan to use are higher than they have been

6



7



8

ACTIVITY

Each of the following slides contain a
market influencer

Shout out either **FUTURES** or **CASH** depending
on which market you think the factor impacts

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9

Flooding in South America

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10

Drought in your county



11

Funds/Speculative position in the markets



12

A new soy processing plant being built in your area



13

USDA Reports



14

If the futures and cash markets are influenced by different things, which market is the most important and how are they related?

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15

Futures

Impacted by a wide range of factors affecting supply and demand nationally & globally

+ Basis

Determined by a merchandiser - influenced by local supply and demand dynamics

**=
Cash**

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16

Basis

- the difference between the cash & futures price
- the portion of the cash price that a grain buyer has control over

$$\text{Basis} = \text{Cash} - \text{Futures}$$



17

Strengthening

- \$ -.59 SX23 (Nov) Yesterday
- \$ -.55 SX23 (Nov) Today

basis became **more positive** & **strengthened** by **\$.04**

the cash price **increased** relative to futures



18

Weakening

- \$ +0.20 CZ23 (Dec) Yesterday
- \$ +0.15 CZ23 (Dec) Today

basis became **less positive** & **weakened** by **\$.05**

the cash price **declined** relative to futures



19

'over' or 'under'

- Basis of \$-0.50 SX23 (Nov)
 - 50 **under the November**
- Basis of \$0.20 CN23 (Jul)
 - 20 **over the July**



20

Bid Sheet

- where a grain buyer posts the prices they're willing to pay for a commodity depending on when it's delivered
- each bid contains a delivery window, futures price, futures month, basis & cash price
- may be formatted differently among grain buyers



21

Examples:

Yellow Corn

Prices shown in USD

Time Of Shipment	Futures	Basis	Flat
02/01/2023 - 02/28/2023 (CH3)	6.7850	0.3000	7.0850
03/01/2023 - 03/31/2023 (CH3)	6.7850	0.3200	7.1050
04/01/2023 - 04/30/2023 (CK3)	6.7800	0.3600	7.1400
05/01/2023 - 05/31/2023 (CK3)	6.7800	0.4000	7.1800
06/01/2023 - 06/30/2023 (CN3)	6.7175	0.2500	6.9675
07/01/2023 - 07/31/2023 (CN3)	6.7175	0.3000	7.0175
10/01/2023 - 10/31/2023 (CZ3)	6.1075	-0.3000	5.8075
11/01/2023 - 11/30/2023 (CZ3)	6.1075	-0.3000	5.8075

Albion, NE

Newman Grove

COMMODITY	DELIVERY END	CASH PRICE	BASIS	CHANGE
Corn	Mar 2023	7.09	0.30	-1'0
Corn	Nov 2023	5.76	-0.35	-1'6
Corn	Jan 2024	5.82	-0.36	-2'0



22

ACTIVITY

In groups of 2-3 people

Use the bid sheets on the following slides to discuss & answer the questions on your worksheet together with your group

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23

Answer the questions on your worksheet in small groups of 2-3

Yellow Soybeans

Prices shown in USD

A

Time Of Shipment	Futures	Basis	Flat
Spot Bid (SF3)	15.1925	0.0000	15.1925
01/01/2023 - 01/31/2023 (SF3)	15.1925	0.0000	15.1925
02/01/2023 - 02/28/2023 (SH3)	15.2400	0.0000	15.2400
03/01/2023 - 03/31/2023 (SH3)	15.2400	0.0000	15.2400
10/01/2023 - 10/31/2023 (SX3)	14.1675	-0.5500	13.6175
11/01/2023 - 11/30/2023 (SX3)	14.1675	-0.5500	13.6175

SOYBEANS

B

DELIVERY DATE	FUTURES	BASIS (USD/BU)	CASH (USD/BU)
JAN 1, 2023 - JAN 31, 2023	15.24 +0.0775 MAR23	-0.15	15.09
FEB 1, 2023 - FEB 28, 2023	15.24 +0.0775 MAR23	-0.12	15.12
MAR 1, 2023 - MAR 31, 2023	15.24 +0.0775 MAR23	-0.10	15.14
APR 1, 2023 - APR 30, 2023	15.30 +0.0675 MAY23	-0.14	15.16
MAY 1, 2023 - MAY 31, 2023	15.30 +0.0675 MAY23	-0.08	15.22
OCT 1, 2023 - NOV 30, 2023	14.1675 +0.0150 NOV23	-0.60	13.5675

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24

Did basis strengthen or weaken between bid sheet 1 and 2?

Wed, Dec 14, 1:55 PM

1

Cargill Albion 12/14

YC Dec(.30 CH3)6.81

YC LH Dec(.33 CH3)6.84

YC Oct/Nov(-.30 CZ3)5.68

YSB Dec(.00 SF3)14.82

YSB Oct/Nov(-.55 SX3)13.37

Thu, Dec 15, 2:20 PM

2

Cargill Albion 12/15

YC Dec 15-22 (.50CH3)7.03

YC Dec(.30CH3)6.83

YC LH Dec(.33CH3)6.86

YC O/N(-.30CZ3)5.68

YSB Dec(.00SF3)14.73

YSB O/N(-.55SX3)13.33



25

When you're making
grain marketing
decisions, what should
you consider?



26

Marketing considerations...

- know your cost of production/breakeven
 - per acre cost of production / expected yield or APH = breakeven price per bushel
 - foundational to your grain marketing plan - use it to establish incremental price targets
- plan ahead
 - when do you need cash flow?
 - what's your on farm storage situation?
 - when does it work for you to move grain, and how much can you move per month?
- evaluate price trends & contract options



27

Main Cash Contract Types

CASH & FORWARD CASH

- Grain is sold at the posted cash price
- Cash price can be locked in at the time of delivery (spot cash)
- Or contracted in advance of delivery (forward cash)

HTA / NO BASIS ESTABLISHED

- HTA = 'hedge to arrive,'
- Contract is used to lock in the futures price, but leave basis open to set later (any time prior to delivery)
- Used when you think basis has a chance to improve, but want to limit futures price risk
- Often have a fee

BASIS

- Contract locks in the basis level today, but gives you time to set the futures price later
- Used when you think futures may improve, but want to lock in basis
- Futures must be set prior to futures month expiration



28

Practice Scenario

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29

Practice Scenario:

- **It's February, and you're considering making a forward sale for corn you currently have in on farm storage. You'd like to haul grain in either June or July.**
- **A few important notes:**
 - Historical basis levels for June/July delivery in your area are typically around \$-0.10 to \$-0.20 CN
 - Your breakeven price = \$4.60 cash per bushel
 - Macroeconomics: Exports to China have been weak, South America had a good corn crop, and the U.S. is expected to plant record corn acres this spring.

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30

Practice Scenario Questions

Yellow Corn

Prices shown in USD

Time Of Shipment	Futures	Basis	Flat
Spot Bid (CH3)	6.7050	0.3000	7.0050
02/01/2023 - 02/28/2023 (CH3)	6.7050	0.3000	7.0050
03/01/2023 - 03/31/2023 (CH3)	6.7050	0.3500	7.0550
04/01/2023 - 04/30/2023 (CK3)	6.6850	0.4800	7.1650
05/01/2023 - 05/31/2023 (CK3)	6.6850	0.5000	7.1850
06/01/2023 - 06/30/2023 (CN3)	6.5800	0.5000	7.0800
07/01/2023 - 07/31/2023 (CN3)	6.5800	0.5500	7.1300

- After looking at the bids for June and July, do you want to sell grain today? Why or why not?

- If yes, what contract type would you choose? Why?



31

Scenario 1:

- It's February, and you're considering making a forward sale for corn you'll deliver at harvest (Oct/Nov)

- A few important notes:

- Historical basis levels for Oct/Nov (harvest) delivery in your area are typically around \$-0.25 to \$-0.40 CZ
- Your breakeven price = \$4.20 cash per bushel
- You have nothing else sold for harvest and wanted to be 20% sold by end of Feb. You have on farm storage for 50% of your crop.
- Macroeconomics: Chinese buying has been weaker than prior years, South America has had a better than average corn crop, and weather in the U.S. is expected to be dry for the upcoming growing season.

Check out page 6 in your notes!



32

ACTIVITY

Using what you've learned about the scenario,
work with your small group to

**Discuss and answer the
questions on page 6**

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33

Scenario 2:

- **It's February, and you need to deliver soybeans you have in storage at some point in March because you have payments at the end of the month and are also concerned about the condition of the beans.**
- **A few important notes:**
 - Historical basis levels for March delivery in your area are typically around \$-0.30 to \$-0.50 CZ
 - Your breakeven price = \$10.05 cash per bushel
 - Other information: Concerns Brazilian soybean production will come in below expectations, exports have been strong, basis has been progressively weakening over the past couple of months, but many still believe the local 2022 crop was small and supplies will be tight right before 2023 harvest.

*Check out page 8 in
your notes!*

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34

ACTIVITY

Using what you've learned about the scenario,
work with your small group to

**Discuss and answer the
questions on page 7**

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35

Scenario 3:

- It's July, and you'd like to protect the price on another 10% of your corn production that will be harvested this fall. You can either deliver it at harvest, or you can store it on farm and deliver it any time after, by the end of March.
- Your breakeven price = \$4.50 cash per bushel

*Check out page 10 in
your notes!*

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36

ACTIVITY

Using what you've learned about the scenario,
work with your small group to

**Discuss and answer the
questions on page 9**

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37

Recap

- futures market vs. cash market
- cash bids
- basis & terminology
- cash bid sheets
- decision making practice

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38

Expand on what you learned

- Consistently track bids in your area (sign up for text bids)
- Calculate and understand your cost of production & breakeven
- Dive deeper into cash grain marketing concepts & contracts through the online course, **Cash Grain Marketing 101**
- Learn how to use futures, put options and call options in the online course, **Grain Marketing 201**



39

Online courses:

Cash Grain Marketing 101
Grain Marketing 201

Other ways to stay in touch:

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40

Questions?

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