



## NOTES



## Small Group Activity - Understanding Bid Sheets

- Once Britany gives you the instructions to do so, gather in a group of 2-3 people.
- You will use the following bid sheets to discuss and answer questions 1-5 on page 3 as a group.
- Write down your answers. Your group may be asked to share with everyone else!

### Yellow Soybeans

Prices shown in USD

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

A

### SOYBEANS

DELIVERY DATE	FUTURES	BASIS (USD/BU)	CASH (USD/BU)
JAN 1, 2023 - JAN 31, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.15	15.09
FEB 1, 2023 - FEB 28, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.12	15.12
MAR 1, 2023 - MAR 31, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.10	15.14
APR 1, 2023 - APR 30, 2023	15.30 <span>+0.0675 <a href="#">MAY23</a></span>	-0.14	15.16
MAY 1, 2023 - MAY 31, 2023	15.30 <span>+0.0675 <a href="#">MAY23</a></span>	-0.08	15.22
OCT 1, 2023 - NOV 30, 2023	14.16 <sup>75</sup> <span>+0.0150 <a href="#">NOV23</a></span>	-0.60	13.56 <sup>75</sup>

B



1. Which facility has a stronger bid for March delivery (A or B)?
2. Which facility's bid is weaker for October delivery (A or B)?
3. If you were to forward contract grain for harvest delivery (October), which facility would you choose & why?
4. Is there any reason you'd deliver or contract with a facility that has a weaker bid?
5. Take a close look at the content and structure of each bid sheet. What differences do you notice between the two? Circle them.

**Stop here - wait for the next slide to answer question 6.**

The following bids were texted from the same buyer, one day apart.

6. Did basis for December strengthen or weaken from bid sheet 1 to bid sheet 2? How did you come to that conclusion?

1

Wed, Dec 14, 1:55 PM

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

2

Thu, Dec 15, 2:20 PM

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



## Practice Making Grain Marketing Decisions

# 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





**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:**

1. Historical basis levels for June/July delivery in your area are typically around \$-0.10 to \$-0.20 CN
2. Your breakeven price = \$4.60 cash per bushel
3. 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.

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

**Questions (we'll answer together):**

1. After looking at the bids for June and July, do you want to sell grain today? Why or why not?
2. If yes, what contract type would you lean towards using? Why?



**Scenario 1:** It's February, and you're considering making a forward sale for corn you'll delivered at harvest (Oct/Nov).

### A few important notes:

1. Historical basis levels for Oct/Nov (harvest) delivery in your area are typically around \$-0.25 to \$-0.40 CZ
2. Your breakeven price = \$4.20 cash per bushel
3. 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.
4. Macroeconomics: 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.

### Facility 1:

Time of Shipment	Cash Corn Bid	Futures Month	Futures Price	Futures Change	Basis
1/1/23 - 1/31/23	7.03	@C3H	678'4s	-1'0	0.25
2/1/23 - 2/28/23	7.05	@C3H	678'4s	-1'0	0.27
3/1/23 - 3/31/23	7.07	@C3H	678'4s	-1'0	0.29
4/1/23 - 4/30/23	7.11	@C3K	678'0s	-1'0	0.33
5/1/23 - 5/31/23	7.15	@C3K	678'0s	-1'0	0.37
6/1/23 - 6/30/23	6.96	@C3N	671'6s	-1'0	0.25
7/1/23 - 7/31/23	7.01	@C3N	671'6s	-1'0	0.30
10/1/23 - 10/31/23	5.80	@C3Z	610'6s	-1'6	-0.30
11/1/23 - 11/30/23	5.80	@C3Z	610'6s	-1'6	-0.30

### Facility 2:

#### 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



**Answer and discuss the following questions related to Scenario 1 in your small group. Be prepared to share your answers!**

**Questions:**

**1. Given the scenario, are you going to sell grain today (circle one)?**

A. Yes

B. No

**2. If no, why?**

**3. If yes,**

a. Why?

b. Which facility will you contract with & why?

c. Which contract type are you going to choose & why?



**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. You're also concerned about the declining condition of the beans.

### A few important notes:

1. Historical basis levels for March delivery in your area are typically around \$-0.30 to \$-0.50 CZ
2. Your breakeven price = \$10.05 cash per bushel
3. Other information: The market thinks 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.

### Facility 1:

COMMODITY	DELIVERY END	CASH PRICE	BASIS	CHANGE
Corn	Jan 2023	7.04	0.25	-1'0
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
Soybeans	Jan 2023	14.94	-0.30	7'6
Soybeans	Mar 2023	14.95	-0.29	7'6
Soybeans	Nov 2023	13.57	-0.60	1'4

### Facility 2:

#### SOYBEANS

DELIVERY DATE	FUTURES	BASIS (USD/BU)	CASH (USD/BU)
JAN 1, 2023 - JAN 31, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.15	15.09
FEB 1, 2023 - FEB 28, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.12	15.12
MAR 1, 2023 - MAR 31, 2023	15.24 <span>+0.0775 <a href="#">MAR23</a></span>	-0.10	15.14
APR 1, 2023 - APR 30, 2023	15.30 <span>+0.0675 <a href="#">MAY23</a></span>	-0.14	15.16
MAY 1, 2023 - MAY 31, 2023	15.30 <span>+0.0675 <a href="#">MAY23</a></span>	-0.08	15.22
OCT 1, 2023 - NOV 30, 2023	14.16 <sup>75</sup> <span>+0.0150 <a href="#">NOV23</a></span>	-0.60	13.56 <sup>75</sup>





**Answer and discuss the following questions related to Scenario 2 in your small group. Be prepared to share your answers!**

**Questions:**

**1. Given the scenario, are you going to sell grain today (circle one)?**

C. Yes

D. No

**2. If no, why?**

**3. If yes,**

d. Why?

e. Which facility will you contract with & why?

f. Which contract type are you going to choose & why?



**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 after harvest by the end of March.

Your breakeven price = \$4.50 cash per bushel

### Cash Bid Sheet:

10/01/2023 - 10/31/2023 (CZ3)	5.9375	-0.3000	5.6375
11/01/2023 - 11/30/2023 (CZ3)	5.9375	-0.3000	5.6375
12/01/2023 - 12/31/2023 (CZ3)	5.9375	-0.2200	5.7175
01/01/2024 - 01/31/2024 (CH4)	6.0050	-0.2000	5.8050
02/01/2024 - 02/28/2024 (CH4)	6.0050	-0.2000	5.8050
03/01/2024 - 03/31/2024 (CH4)	6.0050	-0.1500	5.8550

Answer and discuss the following questions related to Scenario 3 in your small group. Be prepared to share your answers!

### Questions:

1. After evaluating the bid sheet, which month are leaning towards selling grain? Why?
2. What contract type would you like to use? Why?



**Interested in diving deeper and feeling more confident in your understanding of grain marketing? Check out Farm Girl Next Door's online courses:**

### **Cash Grain Marketing 101**

**<https://farmgirlnextdoor.teachable.com/p/cash-grain-marketing-101>**

- Feel comfortable & confident in your foundational knowledge of cash grain marketing, learn more about futures, basis, and cash and what contracting options you have in the cash market with your local grain buyers!

### **Grain Marketing 201**

**[farmgirlnextdoor.teachable.com/p/grain-marketing-201](https://farmgirlnextdoor.teachable.com/p/grain-marketing-201)**

- Do you feel totally out of your element when you hear the terms, 'futures,' 'put option,' 'call option,' and 'hedging'? You're not alone. And that's what Grain Marketing 201 is for! This course takes a real world, relatable, example-filled approach to helping you feel comfortable with these concepts.

#### **Both courses:**

- Are self-paced. That means you can take them at your own speed and on your own time. You get access to the content for 1 year and all the lessons are available when you sign up!
- Contain printable resources like quizzes, worksheets, and notes guides.
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