



The Grain Marketing Mind Game


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EXTENSION

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1

How are crop prices determined?



3

Futures Markets

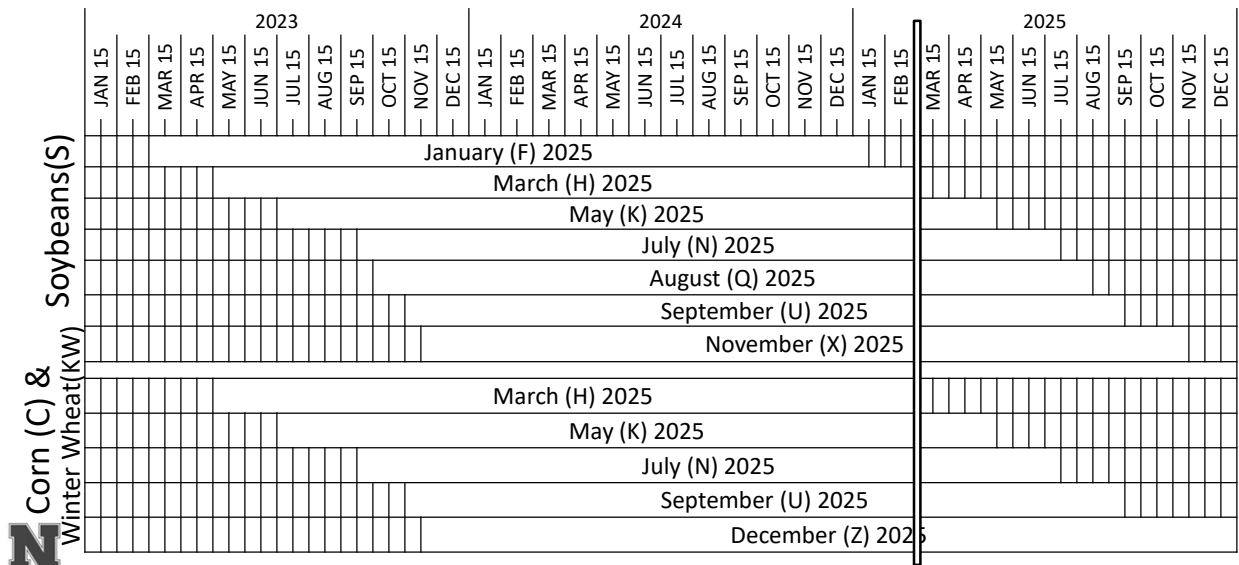
- An auction market in which participants buy and sell standardized future contracts
 - Terms are set, except for price
 - Multiple delivery months (and years) traded at once
 - TERMINATION: The business day prior to the 15th calendar day of the contract month.

- **Kansas City** – Hard Red Winter Wheat
- **Chicago** – Corn, Soybeans, Soft Red Winter Wheat
- **Minneapolis** – Spring Wheat



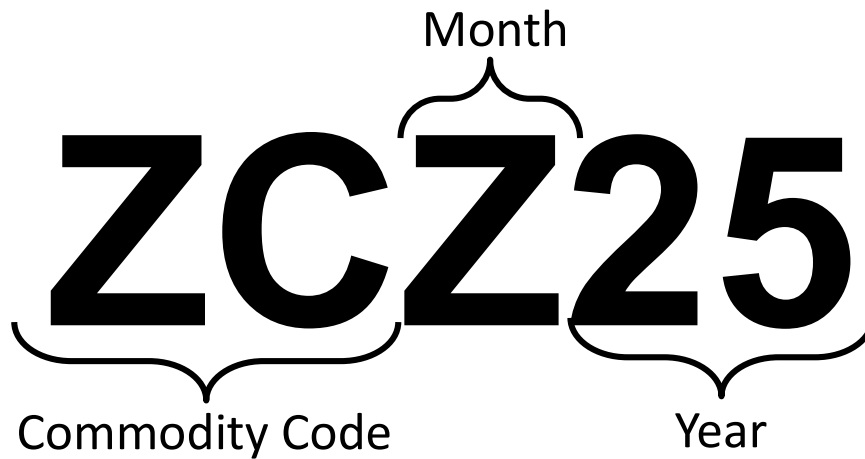
5

Futures Markets



6

Trading Codes



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7

Trading Codes

- ⇒ Commodities: Corn (**ZC** or **C**), Soybeans (**ZS** or **S**), Hard Red Winter Wheat (**KE** or **KW**)
- ⇒ Months: January (**F**), February (**G**), March (**H**), April (**J**), May (**K**), June (**M**), July (**N**), August (**Q**), September (**U**), October (**V**), November (**X**), December (**Z**)
 - **Soybeans** 7 contracts/year (F, H, K, N, Q, U, and X)
 - **Corn & Hard Red Winter Wheat** 5 contracts per year (H, K, N, U, and Z)

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8

Trading Codes


☞ “new crop” contract – contract closest to expiration at harvest (Pre-harvest marketing)

- Dec (Z) for Corn
- Nov (X) for Soybeans
- Jul (N) for Winter Wheat

☞ “nearby” contract – contract closest to expiration (Post-harvest marketing)



9



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0% Financing Extended: Ends March 15th [Click Here to Learn More](#)

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Hastings ▾

All Commodities ▾


Commodity ▾

Group By

Commodity ▾

CORN

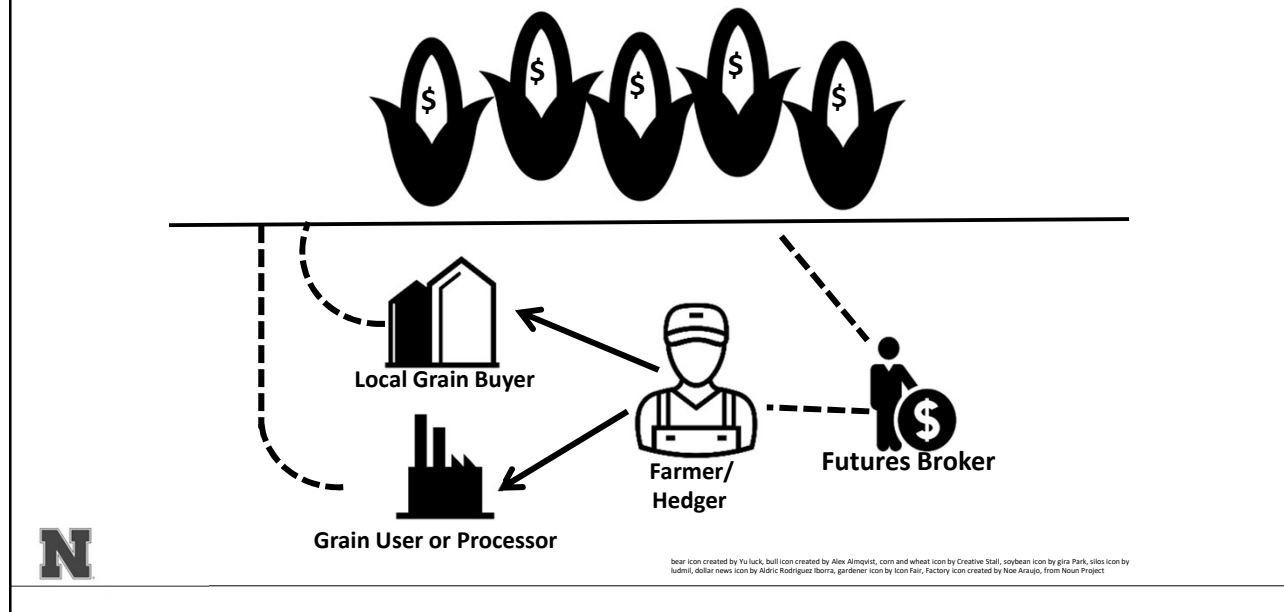
Location	Delivery End	Basis Month	Basis	Cash Price	Futures Price	Fut. Chg.	
Hastings	02/28/2025	Mar 2025	-35.00	\$4.62	497-0	3-4	← OLD CROP (24)
Hastings	03/31/2025	Mar 2025	-32.00	\$4.65	497-0	3-4	← OLD CROP (24)
Hastings	10/31/2025	Dec 2025	-27.00	\$4.47	474-0	1-2	← NEW CROP (25)



Hastings, Feb. 14, 2025 <https://cpicoop.com/bids-futures/>

10

How is my local cash price determined?



11

Basis = Cash Price – Futures Price

➤ Basis represents:

- Transportation and handling costs to move product from current location to point of delivery
- Storage costs
- Expected supply & demand
 - Cattle
- Supply & demand of transportation services
- Variations in grade
- Unavailability of substitutes

- Elevators may charge a different basis for each delivery location, and delivery period.

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13

Elevators may charge a different basis for each delivery location, and delivery period.

FRONTIER COOP GRAIN BIDSHEET

Date: July 10, 2024

Location	3.9575 3.9575 3.9575 4.0725 4.0725 4.0725 11.1325 11.1325 10.6700 10.6700 10.8200 5.6550 5.6550													
	Corn						Beans						Wheat	
	July	Aug	Sept	Oct 24	Nov	Dec	July	Aug	Sept	Oct 24	Nov	Dec	July	Aug
	+2	+2	+2	-2	-2	-2	-18	-18	-13	-13	-13	-13	-12	-12
Adams 408	3.87 <small>-0.09 ZCU24</small>	3.76 <small>-0.20 ZCU24</small>	3.70 <small>-0.26 ZCU24</small>	3.72 <small>-0.35 ZCU24</small>	3.72 <small>-0.35 ZCU24</small>	3.78 <small>-0.29 ZCU24</small>	10.37 <small>-0.76 ZSO24</small>	10.25 <small>-0.88 ZSO24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.12 <small>-0.70 ZSF25</small>	5.11 <small>-0.55 KEU24</small>	5.11 <small>-0.55 KEU24</small>
Avoca 414	3.71 <small>-0.25 ZCU24</small>	3.60 <small>-0.36 ZCU24</small>	3.56 <small>-0.40 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.74 <small>-0.33 ZCU24</small>	10.35 <small>-0.78 ZSO24</small>	10.23 <small>-0.90 ZSO24</small>	10.00 <small>-0.67 ZSU24</small>	10.00 <small>-0.67 ZSU24</small>	10.00 <small>-0.67 ZSU24</small>	10.10 <small>-0.72 ZSF25</small>		
Belgrade 108	3.95 <small>-0.01 ZCU24</small>	3.84 <small>-0.12 ZCU24</small>	3.79 <small>-0.17 ZCU24</small>	3.74 <small>-0.33 ZCU24</small>	3.74 <small>-0.33 ZCU24</small>	3.80 <small>-0.27 ZCU24</small>	10.33 <small>-0.80 ZSO24</small>	10.21 <small>-0.92 ZSO24</small>	10.03 <small>-0.64 ZSU24</small>	10.03 <small>-0.64 ZSU24</small>	10.03 <small>-0.64 ZSU24</small>	10.13 <small>-0.69 ZSF25</small>		
Bellwood 211	3.99 <small>0.03 ZCU24</small>	3.88 <small>-0.08 ZCU24</small>	3.82 <small>-0.14 ZCU24</small>	3.76 <small>-0.31 ZCU24</small>	3.76 <small>-0.31 ZCU24</small>	3.82 <small>-0.25 ZCU24</small>	10.39 <small>-0.74 ZSO24</small>	10.27 <small>-0.86 ZSO24</small>	10.03 <small>-0.64 ZSU24</small>	10.03 <small>-0.64 ZSU24</small>	10.03 <small>-0.64 ZSU24</small>	10.13 <small>-0.69 ZSF25</small>		
Bennet 417	3.80 <small>-0.16 ZCU24</small>	3.69 <small>-0.27 ZCU24</small>	3.64 <small>-0.32 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.74 <small>-0.33 ZCU24</small>	10.39 <small>-0.74 ZSO24</small>	10.27 <small>-0.86 ZSO24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.12 <small>-0.70 ZSF25</small>		
Brainard 220	3.98 <small>0.02 ZCU24</small>	3.87 <small>-0.09 ZCU24</small>	3.81 <small>-0.15 ZCU24</small>	3.78 <small>-0.29 ZCU24</small>	3.78 <small>-0.29 ZCU24</small>	3.84 <small>-0.23 ZCU24</small>	10.43 <small>-0.70 ZSO24</small>	10.31 <small>-0.82 ZSO24</small>	10.05 <small>-0.62 ZSU24</small>	10.05 <small>-0.62 ZSU24</small>	10.05 <small>-0.62 ZSU24</small>	10.15 <small>-0.62 ZSF25</small>		
Bruno 293	3.82 <small>-0.14 ZCU24</small>	3.71 <small>-0.25 ZCU24</small>	3.65 <small>-0.31 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.68 <small>-0.39 ZCU24</small>	3.74 <small>-0.33 ZCU24</small>	10.37 <small>-0.76 ZSO24</small>	10.25 <small>-0.88 ZSO24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.02 <small>-0.65 ZSU24</small>	10.12 <small>-0.70 ZSF25</small>		
Burr 511	3.73 <small>-0.23 ZCU24</small>	3.62 <small>-0.34 ZCU24</small>	3.58 <small>-0.38 ZCU24</small>	3.66 <small>-0.41 ZCU24</small>	3.66 <small>-0.41 ZCU24</small>	3.72 <small>-0.35 ZCU24</small>	10.35 <small>-0.78 ZSO24</small>	10.23 <small>-0.90 ZSO24</small>	10.00 <small>-0.67 ZSU24</small>	10.00 <small>-0.67 ZSU24</small>	10.00 <small>-0.67 ZSU24</small>	10.10 <small>-0.72 ZSF25</small>		



7/10/2024 <https://www.frontiercooperative.com/grain/cash-bids>

14

Basis = Cash Price – Futures Price

☞ “Under” – Cash price is **less than** futures price

– Basis is Negative

– Local supply is abundant compared to perceived demand

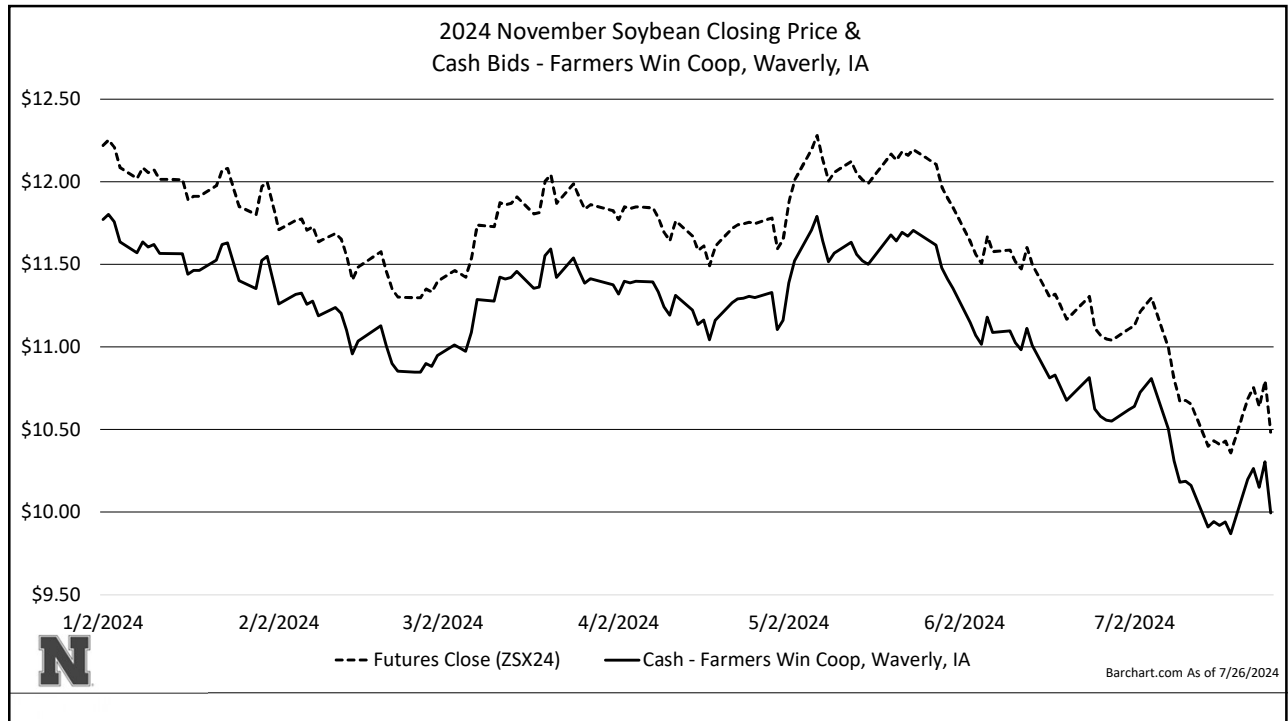
☞ “Over” – Cash price is **above** the futures price

– Basis is Positive

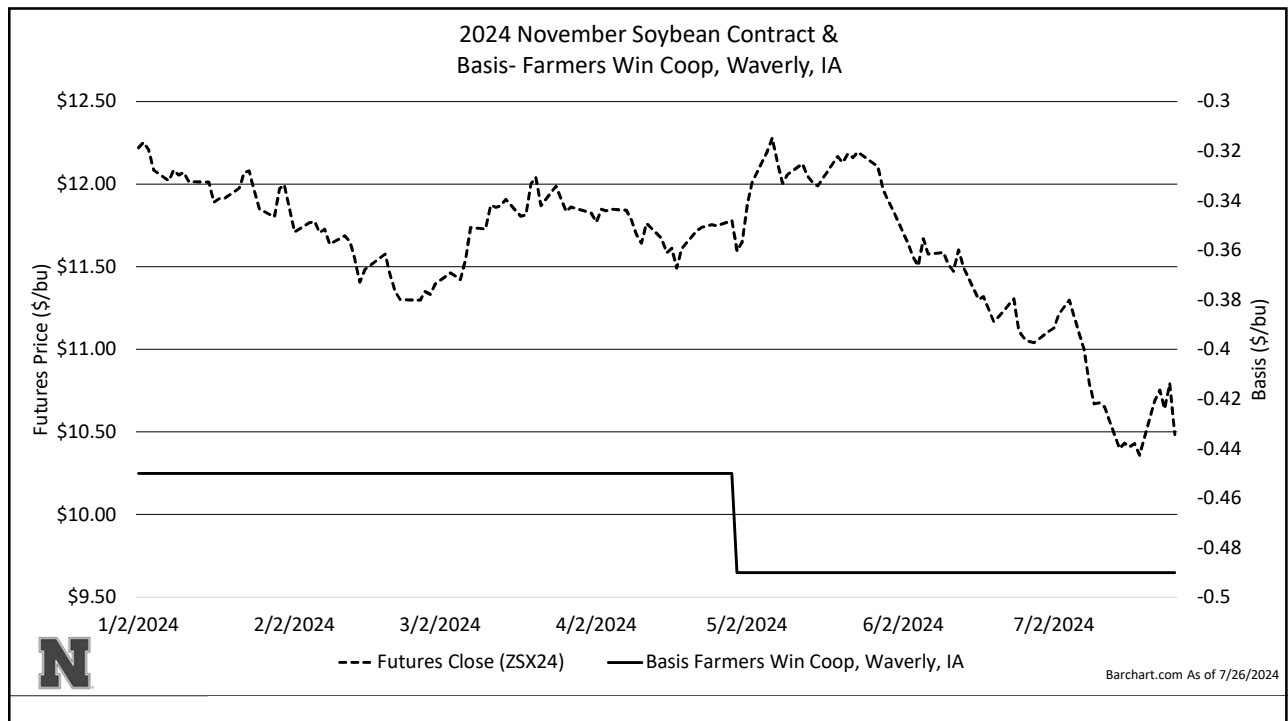
– Local supply limited compared to perceived demand



15



16



17



The
Marketing
Mind
Game...

N EXTENSION

18

Defeat the marketing mind game by...

1. Being satisfied with the decisions you have already made
2. Being cautious of information overload
3. Having realistic expectations of the market
4. Writing Grain Marketing Plans
5. Reading the signals the market is sending

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19

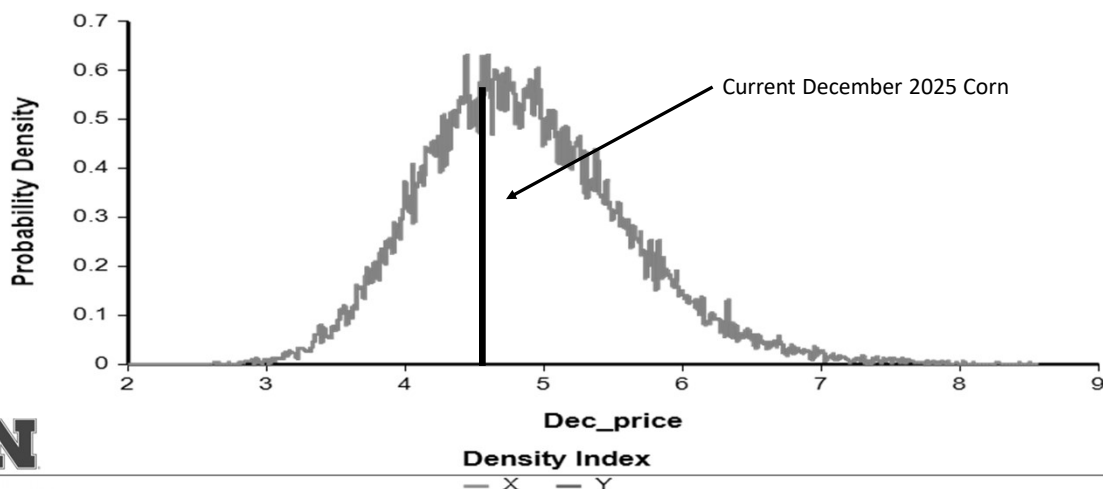
3. Have realistic expectations of the market

- How much can this crop contribute to your income this year?
 - What is a realistic price goal?
 - Cash Flow (\$4.20 - \$4.50)
 - Cost of Production
 - <https://cap.unl.edu/cropbudgets>
 - Market Outlook
 - Marketing Service
 - USDA WASDE <https://www.usda.gov/oce/commodity/wasde>
 - FEB 2025 (Released 2/11/2025) estimates Corn \$4.35, Winter Wheat \$5.55, Soybeans \$10.10

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20

3. Have realistic expectations of the market



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21

4. Writing Grain Marketing Plans

- A grain marketing plan is a **written**, proactive, strategic plan to sell your grain.
- Plans should consider
 - Cash flow needs
 - Financial goals
 - Storage capacity
 - Farm logistics
 - Risk appetite

*An effective weapon
against emotional sales
& holds*

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22

What are your goals?

- Hedger (owns grain):
 - Breakeven
 - Keep farming
 - Produce grain and make money
 - Use marketing as a tool to reduce price risk
- Speculator (does not own grain):
 - Trade contracts (futures and options) solely to make money

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23

4. Two Marketing Plans:



Post Harvest - Crop that is “in the bin”
“old crop”



Pre-Harvest - Crop that will be or is currently
planted
“new crop”

Pre-harvest & post-harvest plans can be
executed simultaneously

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24

4. Writing Marketing Plans

Sell # of bushels by date at
price* for delivery on date using marketing
contract.

Price = futures price plus expected basis minus storage expense

Your plan will trigger either at the date or the price.

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25

	Pre-Harvest Delivery At Harvest	Post Harvest Delivery Date Depends on Sales
Quantity	<ul style="list-style-type: none"> Break into smaller units. Only sell as much as you are comfortable with (Yield Risk). 	<ul style="list-style-type: none"> Break into smaller units – think about hauling capacity. As a HEDGER, only sell what’s “in the bin.”
Price	<ul style="list-style-type: none"> Sell above breakeven or bank cash flow projections. Capture market highs. Price using “new crop” contract. 	<ul style="list-style-type: none"> Beat the harvest price + storage expense. Price using the “nearby” contract OR deferred “old crop” contracts.
Sale Date	<ul style="list-style-type: none"> Corn and Soybeans: Before the August WASDE Report 	<ul style="list-style-type: none"> Corn and Soybeans: Between Harvest and the August WASDE Report Consider your cash flow needs and storage expense.

26

Example POST-HARVEST Plan

Harvest 10/25/2024, Cash Price \$4.25, 20,000 bushels in-town storage \$0.05/bushel/month

	Harvest + Storage	Month	Date	Harvest + Storage	Month	Date
	\$4.25	0	25-Oct	\$4.55	6	23-Apr
	\$4.30	1	24-Nov	\$4.60	7	23-May
	\$4.35	2	24-Dec	\$4.65	8	22-Jun
	\$4.40	3	23-Jan	\$4.70	9	22-Jul
	\$4.45	4	22-Feb	\$4.75	10	21-Aug
	\$4.50	5	24-Mar			

Goal = Beat Harvest Price + Storage

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This is only an example and is not intended for actual use. Please do not replicate or implement this content without further review and customization.

27

Example POST-HARVEST Plan



Statements: Sell # of bushels by date at price* using Contract.

- Sell 5,000 by Jan. 25 at \$4.50, Cash Sale.
- Sell 5,000 bu. by March 24 at \$4.60, Cash Sale.
- Sell 5,000 bu. by May 23 at \$4.70, Cash Sale.
- Sell 5,000 bu. by July 22 at \$4.80, Cash Sale.

Harvest + Storage	Month	Date
\$4.25	0	25-Oct
\$4.3	1	24-Nov
\$4.35	2	24-Dec
\$4.4	3	23-Jan
\$4.45	4	22-Feb
\$4.5	5	24-Mar
\$4.55	6	23-Apr
\$4.6	7	23-May
\$4.65	8	22-Jun
\$4.7	9	22-Jul
\$4.75	10	21-Aug

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28

Example POST-HARVEST Plan

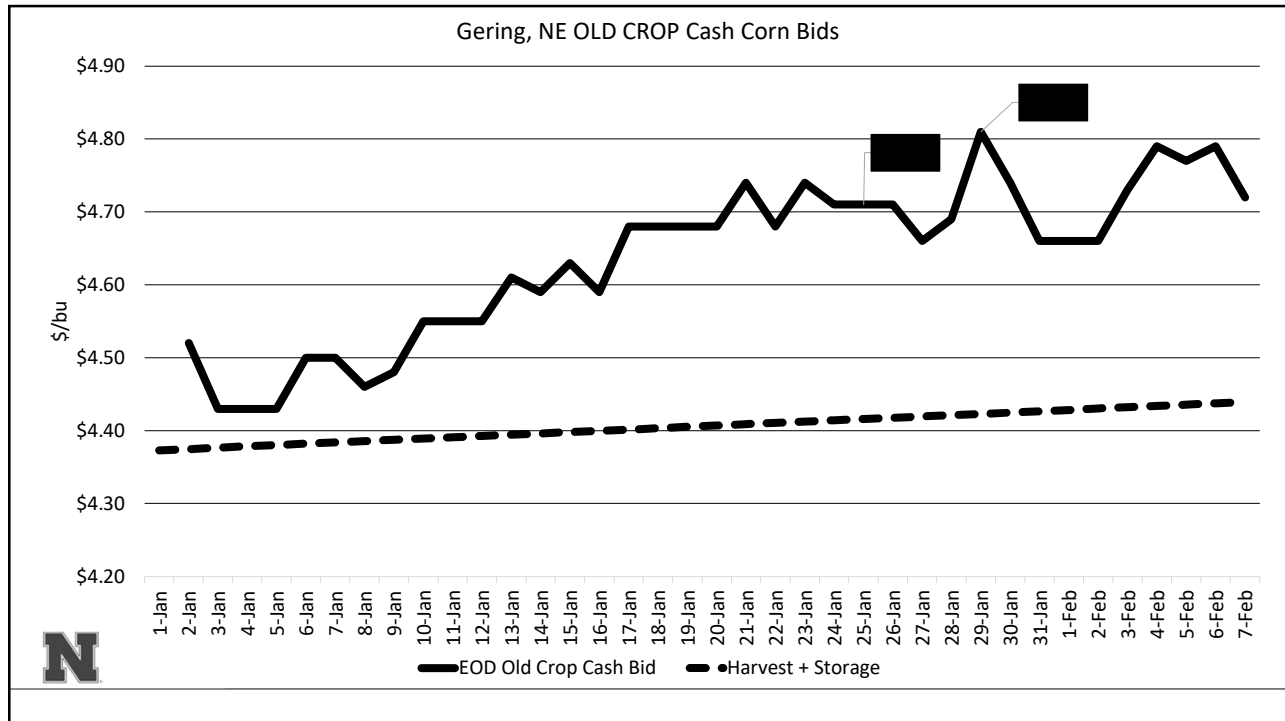


- ~~➤ Sell 5,000 by Jan. 25 at \$4.50, Cash Sale.~~
– SOLD: 5,000 bu. on Jan. 24 at \$4.71
- Sell 5,000 bu. by March 24 at \$4.60, Cash Sale.
- Sell 5,000 bu. by May 23 at \$4.70, Cash Sale.
- Sell 5,000 bu. by July 22 at \$4.80, Cash Sale.

Harvest + Storage	Month	Date
\$4.25	0	25-Oct
\$4.3	1	24-Nov
\$4.35	2	24-Dec
\$4.4	3	23-Jan
\$4.45	4	22-Feb
\$4.5	5	24-Mar
\$4.55	6	23-Apr
\$4.6	7	23-May
\$4.65	8	22-Jun
\$4.7	9	22-Jul
\$4.75	10	21-Aug

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31



32

Example POST-HARVEST Plan

- ~~Sell 5,000 by Jan. 25 at \$4.50, Cash Sale.~~
 - SOLD: 5,000 bu. on Jan. 24 at \$4.71
- Sell 5,000 bu. by March 24 at \$4.60, Cash Sale.
 - SOLD: 1,000 bu. on Jan. 29 at \$4.81
- Sell 5,000 bu. by May 23 at \$4.70, Cash Sale.
- Sell 5,000 bu. by July 22 at \$4.80, Cash Sale.

Harvest + Storage	Month	Date
\$4.25	0	25-Oct
\$4.3	1	24-Nov
\$4.35	2	24-Dec
\$4.4	3	23-Jan
\$4.45	4	22-Feb
\$4.5	5	24-Mar
\$4.55	6	23-Apr
\$4.6	7	23-May
\$4.65	8	22-Jun
\$4.7	9	22-Jul
\$4.75	10	21-Aug

This is only an example and is not intended for actual use. Please do not replicate or implement this content without further review and customization.

33

5. Reading the signals the market is sending

- Price Trends
- Basis
- Carrying Charge

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34

Price Trends



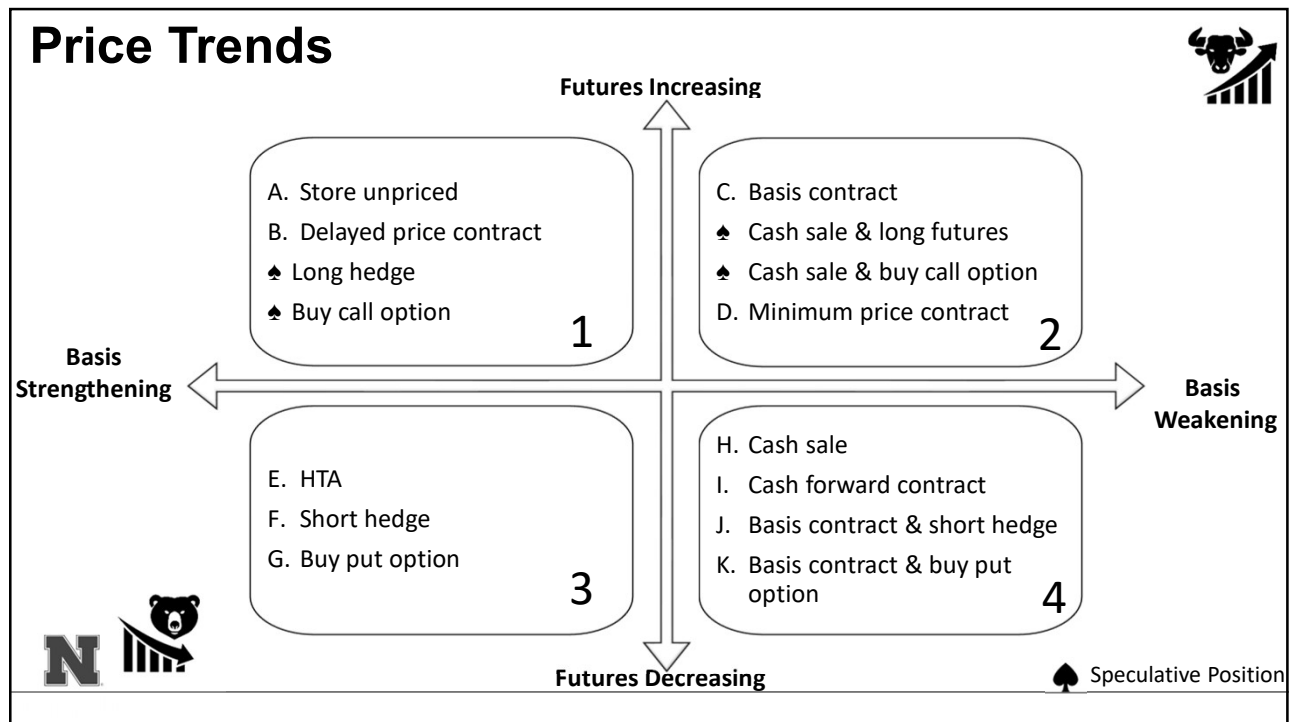
Bearish Market – Down Market
Bears attack by swiping paws down!



Bullish Market – Up Market
Bulls attack by thrusting horns up!

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35

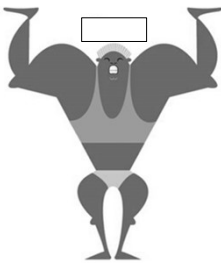


36

Basis = Cash Price – Futures Price


⇒ “Strong”

- Higher or less negative **than expected**
- Market IS demanding grain
- Perceived demand is higher than supply



⇒ “Weak”

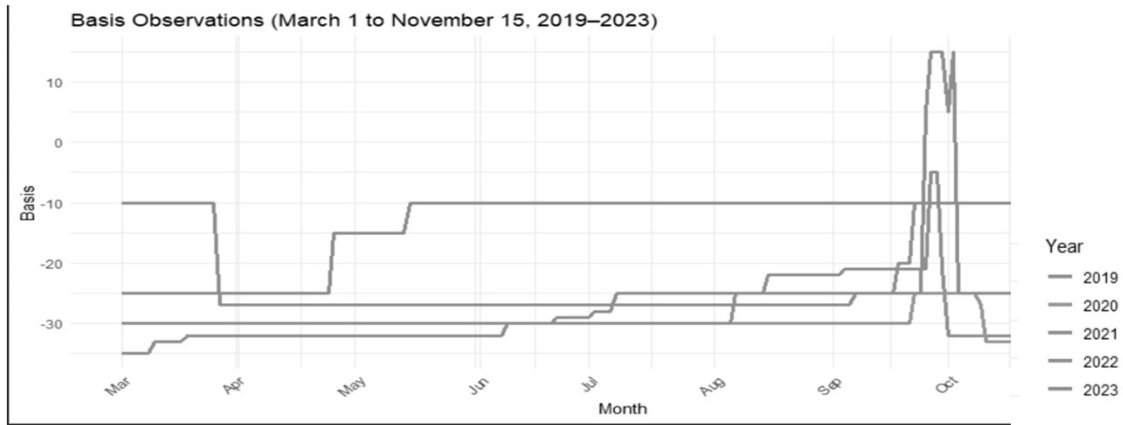
- Lower or more negative **than expected**
- Market is NOT demanding grain
- Perceived demand is lower than supply



N Image Source: Google <http://www.naomikoffman.com/2012/03/25/the-opposite-party/>
Naomi L. Koffman, Mixed Media Artist

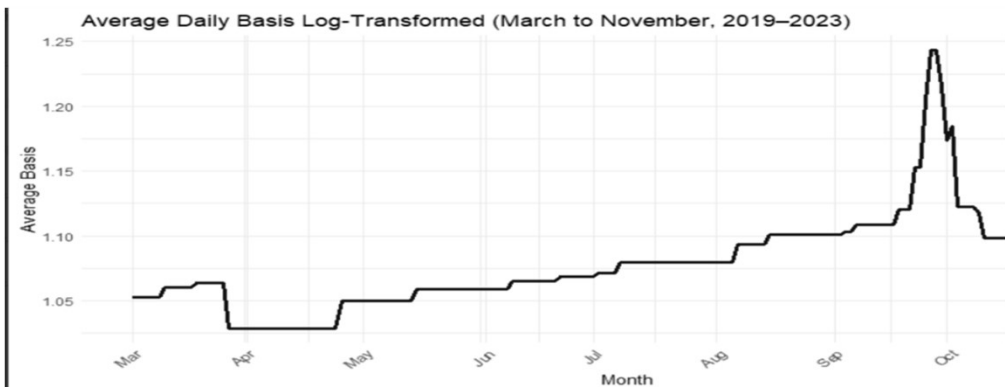
37

Basis – Past Five years.



38

Last Five Years basis, Ethanol Plant

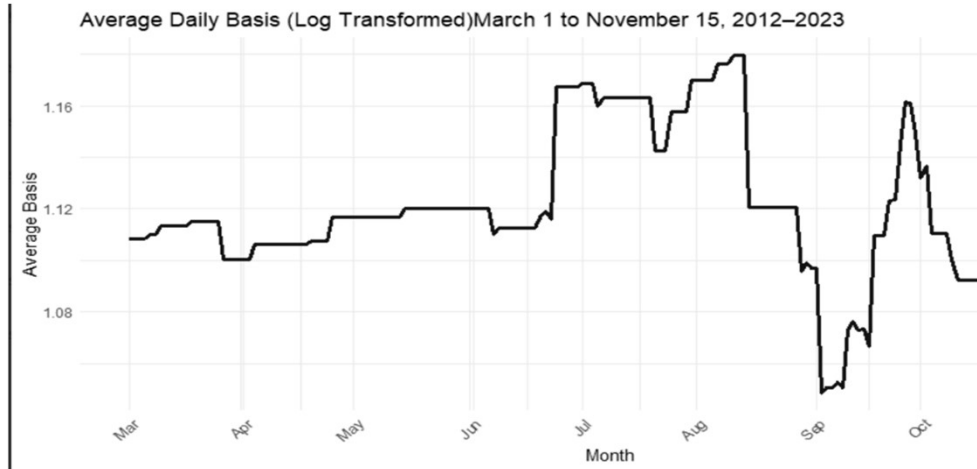


– Is this true, in the long-run?



39

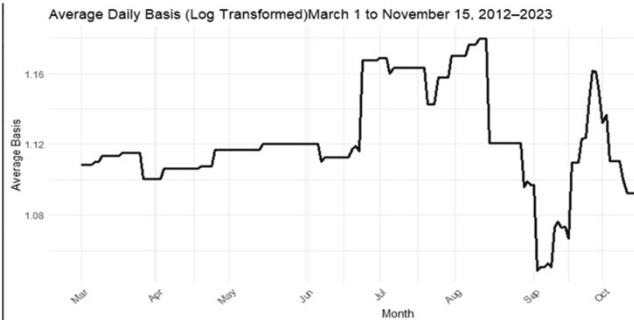
Long-run average basis. Ethanol Plant.



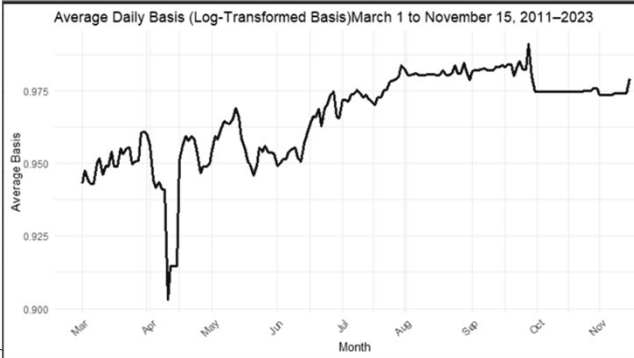
40

Two delivery locations
in proximity

Ethanol Plant



Non-ethanol
Plant



41

Basis

- Follow each delivery locations you use to understand tendencies
- Engage in basis contracts when offers are favorable to past experience
- Understand that information changes
 - Some years you win, some you lose.
 - Ahead in the long-run

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42

Carrying Charge



- Grain in on-farm storage: When do I sell? When do I store?
 - Watch the carrying charge – price difference between futures contract delivery months
 - When prices are high enough to cover your storage expenses for delivery in the future (deferred contract) sell today for delivery in the future.

Deferred Contract – Current Contract = Carrying Charge

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43

Carrying Charge



- Small or negative carrying charge
 - Negative also called “Inverted”
 - Lower demand in the future

- Large carrying charge
 - More demand in the future
 - The carrying charge must be larger than your estimated storage costs for you to hold the product until the later date!

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44

Aurora Coop, Grand Island



Carry Charge: $\$4.62 - \$4.60 = \$0.02/\text{bu}$

Grand Island

COMMODITY	DELIVERY LABEL	CASH PRICE	BASIS	SYMBOL	FUTURES PRICE	CHANGE
Corn	FEB25	4.60	} \$0.02/bu	@C5H	490'2	2'6
Corn	MAR25	4.62		@C5H	490'2	2'6
Corn	O/N25	4.44	-0.25	@C5Z	468'6	2'6
Soybeans	FEB25	9.70	-0.79	@S5H	1049'0	-0'4
Soybeans	S/O25	9.87	-0.70	@S5X	1056'4	-1'0

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2/10/2025 <https://auroracoop.com/markets/>

45

Louis Dreyfus, Grand Junction, IA



Corn Cash Bid

MONTH	TICKER	BASIS	CASH
JULY	CU24	30	4.21
AUG	CU24	20	4.01
FH SEPT	CU24	0	3.91
OCT	CZ24	-20	3.84
NOV	CZ24	-20	3.84
DEC	CZ24	-15	3.89

\$-0.20/bu

N 7/11/2024 <https://www ldc.com/us/en/our-facilities/grand-junction-ia/cash-bids/>

46

When is the carrying charge big enough to profit from?



When the carry offered, is large enough to cover the interest expense, and other variable costs of grain in storage.

3 Step Calculation:

1. Carrying Charge=Deferred Contract – Current Contract
2. Interest Cost = Current Cash Price X Operating Note Interest Rate X # of months in storage/12
3. Carrying Charge/Interest Cost > 1.40, Sell the Carry

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Usset, p. 164

47

When is the carrying charge big enough to profit from?



When the carry offered, is large enough to cover the interest expense, and other variable costs of grain in storage.

3 Step Calculation:

Example: Soybeans Feb. 10, 2025
Cash Price: Gering, NE

1. Carrying Charge=Deferred Contract – Current Contract
March to May Futures: \$10.64 - \$10.48 = \$0.16
2. Interest Cost = Current Cash Price X Operating Note Interest Rate X # of months in storage/12
$$\$9.19 \times 7\% \times 2/12 = \$0.1072$$
3. **N** Carrying Charge/Interest Cost > 1.40, Sell the Carry
$$\$0.16 / \$0.1072 = 1.49$$

Usset, p. 164