The Only Constant is Change
Grain Markets in Turmoil

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Center for Farm Financial Management
Software and educational programs for farmers who are serious about agriculture

FINPACK 2003
MARKETEER
WINNING THE GAME™

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Grain Marketing is Simple

About two months ago, someone in Arizona was trying to resell my book on Amazon for $39.99. I see that it is no longer available - does that mean that someone bought it?

Book link
www.cffm.umn.edu/simple/
Call CFFM at 800-234-1111 to sponsor a workshop in your town.

The Only Constant is Change

...your check-off dollars at work

MN Soybean Research & Promotion Council

www.mnsoybean.org
The Only Constant is Change

- Price levels
- Production costs
- Margins
- Corn Demand
- Government policy
March 29, 2011, A New Era in Crop Prices?
Issued by Scott Irwin and Darrel Good
Dept. of Agricultural and Consumer Economics, University of Illinois
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- Price levels
- **Production costs**
- Margins
- Corn Demand
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Cost of Production - Corn
FINBIN Southern MN Average, Cash Rent ($/bushel)

The break even price to cover all costs, net of government payments, including a return to labor & management.

*CFFM projection assumes 175 bpa, $200/acre rent
The break even price to cover all costs, net of government payments, including a return to labor & management.

*CFFM projection assumes 50 bpa, $200/acre rent
The Only Constant is Change

- Price levels
- Production costs
- **Margins**
- Corn Demand
- Government policy

August 9, 2011 Record earnings from **Cargill**

July 11, 2011 **CHS** earnings, sales soar in third quarter

Aug. 3, 2011 During the first six months of 2011, **The Andersons** earned record income

**Garden City Co-op** 2010 was three times record for local earnings
The Only Constant is Change

- Price levels
- Production costs
- Margins
- **Corn Demand**
- Government policy

Unleaded Gasoline and Corn Futures Prices, December 1 forward

1991
Unleaded Gasoline and Corn Futures Prices, December 1 forward

1991

no relationship
Unleaded Gasoline and Corn Futures Prices, December 1 forward

2001

no relationship

2011

Relationship!
The demand for corn is no longer a cart pulled by animals...

it’s a bus that runs on E-85.
The Only Constant is Change

- Price levels
- Production costs
- Margins
- Corn Demand
- Government policy

[In Canada] the federal government intends to end the Canadian Wheat Board’s monopoly on wheat and barley by August 2012 and thereby permit western farmers to sell on an open market.

WINNIPEG FREE PRESS JUNE 11, 2011
The Only Constant is Change

With this many changes, your approach to marketing grain must also change!
Seasonal Patterns in the National Average Corn Price

Harvest lows

Spring highs

Seasonal Index (Marketing Year Average = 1.0)

1960-2009

1960-69
Seasonal Patterns in the National Average Corn Price

Seasonal Patterns in the National Average Corn Price
The Only Constant is Change

Seasonal price changes are rooted in the production cycle, which has **NOT** changed.
One chart can teach us a lot about pricing alternatives!

If possible, avoid Barney's harvest sales.
Seasonal Patterns in the National Average Corn Price

May Sellers has a good idea, with risk

Seasonal Patterns in the National Average Corn Price

Spring is a good time for pre-harvest sales too!
Sally Sellthecarry offers a way to capture the seasonal – but no upside!

Hank Holder is on the wrong end of the trend
The Only Constant is Change

2011 post harvest marketing plans

2011 Post-Harvest Marketing Plans

(preliminary)

Southwest MN
August 16

Corn

- Dec’11 futures: $7.28
- new crop basis: 48 under
- harvest price: $6.80
- Jul’12 futures: $7.48
### 2011 Post-Harvest Marketing Plans

**Soybeans**

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<th></th>
<th>Southwest MN</th>
<th>August 16</th>
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<td>Nov’11 futures</td>
<td>$13.50</td>
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<tr>
<td>new crop basis</td>
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<tr>
<td>harvest price</td>
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<td>Mar’12 futures</td>
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### 2011 Post-Harvest Marketing Plans

**Spring Wheat**

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<th>Red River Valley</th>
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<td>Sep’11 Futures</td>
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<tr>
<td>Harvest Basis</td>
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<tr>
<td>Harvest Price</td>
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<tr>
<td>Mar’12 Futures</td>
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</table>
2011 Post Harvest Marketing Plans

- Prices are higher and so is the risk of holding unpriced grain
- I am a basis bull
- Selling the carry is a conservative approach that captures a premium in futures, buys time for a better basis, and hedges against lower prices

Summary

- Change is constant
- Seasonal price changes are rooted in the production cycle
- The production cycle has **not** changed
- Seasonal patterns form the basis for grain pricing decisions