



Marketing and Input Buying Strategies



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Status of Grain Markets

Commodity Prices			
	2023/2024*	2024/2025*	Current**
Corn	\$4.65	\$4.10	\$3.87
Soybeans	\$12.50	\$10.80	\$9.52
Wheat	\$6.96	\$5.60	\$5.02

*Prices "per bushel" and based on latest USDA ERS/WASDE reports.
**Composite of grain elevator prices across MI



Corn Markets to Watch

Stability of Buyer Demand

- Are markets stable, growing, or declining?
- Strength of U.S. dollar?
- Foreign trade policy?

US Exports (Oct-June 23/24)	% of Total Exports YTD vs. (2023)	Production (Metric Tons)
Mexico	40% (41%)	17.66 Million
Japan	19% (16%)	8.66 Million
Colombia	11% (9%)	4.95 Million
Canada	5% (6%)	2.19 Million
China	5% (12%)	2.14 Million

Impacts on Competitor Supply

- Production expectations?
- Stability of economy?
- Infrastructure concerns?
- Cost of Production? (i.e., higher prices for Brazilian corn)

Country	% of Global Production	Total Production (23/24, Metric Tons)
United States	32%	390 Million
China	24%	289 Million
Brazil	10%	122 Million
European Union	5%	61 Million
Argentina	4%	50 Million

Note: USDA ERS estimates US exports count for approximately 15% of total US production.



Soybean Markets to Watch

Stability of Buyer Demand

- Are markets stable, growing, or declining?
- Strength of U.S. dollar?
- Foreign trade policy?

US Exports (Oct-June 23/24)	% of Total Exports YTD vs. (2023)	Production (Metric Tons)
China	58% (55%)	17.66 Million
European Union	10% (13%)	8.66 Million
Mexico	9% (10%)	4.95 Million
Indonesia	5% (5%)	2.19 Million
Japan	4% (4%)	2.14 Million

Impacts on Competitor Supply

- Production expectations?
- Stability of economy?
- Infrastructure concerns?
- Domestic policy? (i.e., EU's Deforestation-free Regulation)

Country	% of Global Production	Total Production (23/24, Metric Tons)
Brazil	39%	153 Million
United States	29%	113 Million
Argentina	12%	49 Million
China	5%	20.84 Million
India	3%	11.88 Million

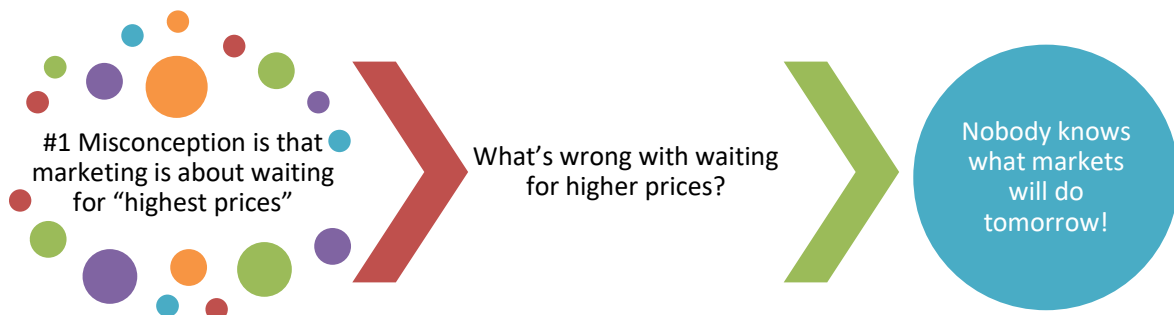
Note: USDA ERS estimates US exports count for approximately 49% of total US production.



What's a "Good" Market Price?



Grain Marketing Strategies 101



Cost of Production

What's a "good" market price?

Simple answer is "*whatever it takes to cover costs!*"

A more complex answer is:

Every farm is different in how it operates and produces grain



Key is identifying your costs and creating market strategies that meet or exceed them

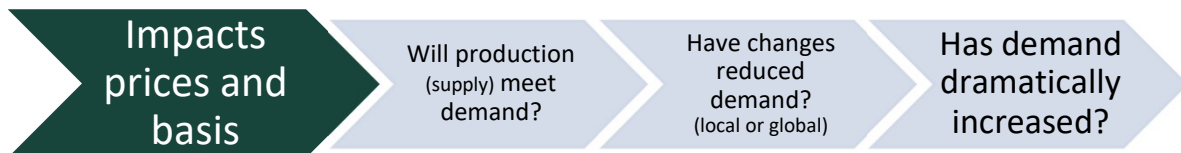


Knowing neighbor's costs can help (industry benchmarks)

If your costs are significantly higher, you might be paying too much to operate



Market Environment



The market fluctuates as it tries to answer these questions



Reading The Market Environment

Basis:

Difference between cash & futures prices, highlights local market conditions

- *Wider spread = weaker basis*
- *Narrow spread = stronger basis*

Local market conditions:

- Transportation cost to haul grain to global buyer
- Storage and interest costs
- Local supply and demand

Corn			
Delivery	Cash Price	=	Futures Price + Basis
Dec 24	\$4.23		\$4.79 - \$0.56
Jan 25	\$4.48		\$4.79 - \$0.31
Mar 25	\$4.52		\$4.75 - \$0.23
May 25	\$4.71		\$4.91 - \$0.20
Jul 25	\$4.71		\$5.01 - \$0.30

Carrying Charges:

Difference between delivery dates aka market determined storage costs

Indicate whether market wants to take sale or pay to wait for later delivery

- Large carrying charges – market will pay to wait
- Small carrying charges – market unwilling to wait and wants grain now

Basis and Carrying Charges can say different things (sell now vs. sell later)

- Cost of Production can help set pricing targets and “when to sell”



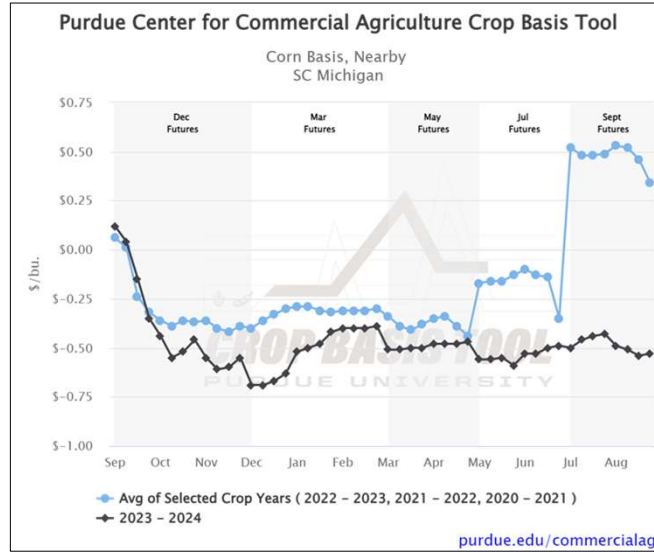
Status of Grain Markets

	Basis		
	Average	Min (Weak)	Max (Strong)
Corn	-\$0.43	-\$0.65	-\$0.11
Soybeans	-\$0.36	-\$0.68	\$0.09
Wheat	-\$0.48	-\$0.90	-\$0.11

Derived from composite of grain elevator prices across MI



Local Markets Are Important Too!



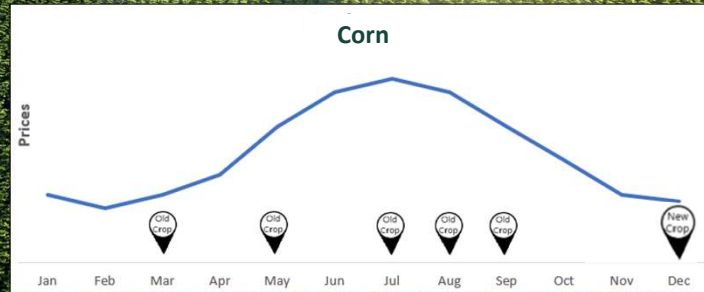
- Basis Locations:
- Regional
 - Ethanol Plant
 - Soybean Processor
 - Ohio River



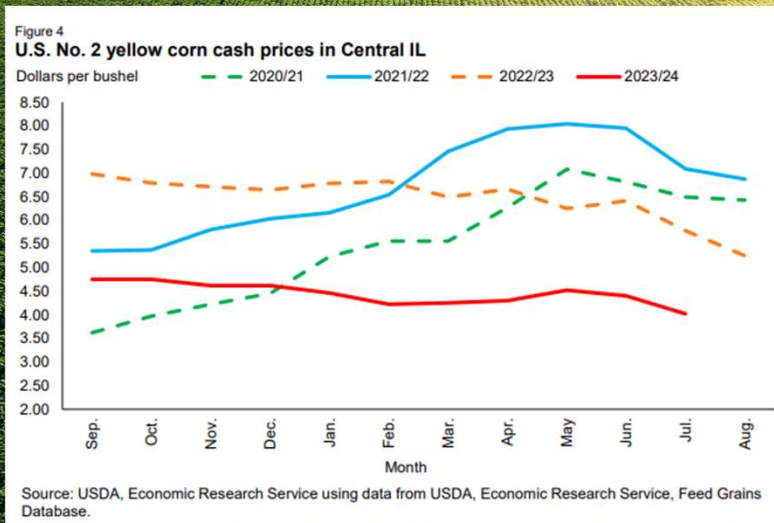
Marketing Strategies

Seasonal Pricing Patterns

Marketing Seasons for Grain Commodities		
Crop	Start of Marketing Season	End of Marketing Season
Corn	December	September
Soybean	November	September
Wheat	September	July

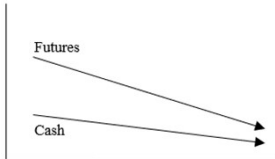


Seasonal Pricing Patterns



Pricing Decision Tool Options

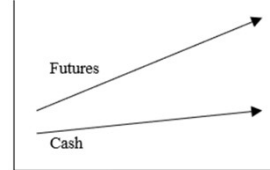
If futures prices look favorable now, while basis does not:



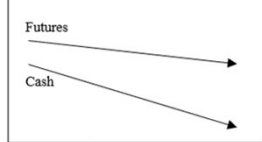
Hedge-To-Arrive (HTA) contract

Basis contract

If you think futures may increase and basis may get weaker:



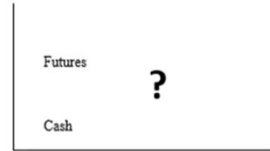
If the cash price is a good price, lock in the basis and futures price:



Forward contract

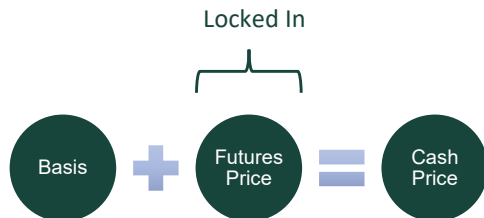
Minimum Price or Min/HTA Combo

If you're unsure what futures or basis will do:



Hedge-To-Arrive Contract

If futures prices look favorable now, while basis does not:



Features:

- Cash contract—typically with your grain elevator (or other end user)
- Locks in the futures price
- Does not set the basis

This eliminates price risk, but does expose you to basis risk.

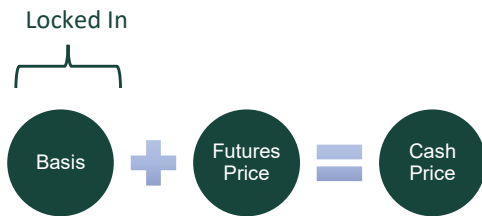
Typically, basis risk is smaller than price risk, but there can be movement.

There are fees to establish a contract. These fees offset any margin calls



Basis Contract

If you think futures may increase
and basis may get weaker:



Features:

- **Similar to a Hedge-To-Arrive contract!**
- Cash contract (with some contract fees)
- Locks in the basis
- Does not set the futures price

At a later date, you determine the date you'd like
to establish the futures price

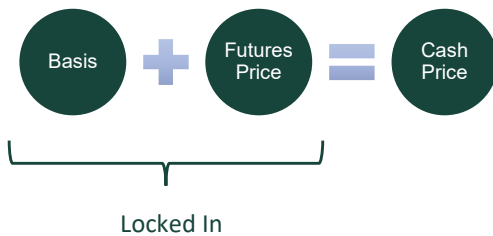
No standardized quantities, relatively easy to
understand/interpret

The downside is the exposure to price risk (which
tends to be more volatile than basis risk)



Forward Contract

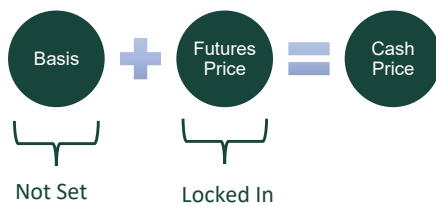
If the cash price is a good price ,
lock in the basis and futures price:



- Sets cash price at time of contract
 - Locks in futures price and basis
- Delivery is at a later date
- No quantity requirements
- Easy to understand, deal with people you know

Minimum Price/Hedge-To Arrive Contract

If you're unsure what futures or basis will do:



- Advantage of Minimum Price Contract
 - Sets a price floor
 - Greater of minimum price or current cash price
- Advantage of Hedge-To-Arrive Contract
 - Locks in futures price, basis is not set
- Disadvantage:
 - Upward potential of futures limited in exchange for price floor



Marketing Plans



Proactive strategy to price grain



More than selecting a pricing tool

- Hedge-to-Arrive (HTA)
- Basis Contract
- Forward Contract
- Futures Contract
- Futures Options
- Store and Wait



Effective plans consider:

- Financial goals
- Cash flow needs
- Crop insurance coverage
- Anticipated production
- Storage capacity
- Your appetite for risk



Two types of marketing plans:

- Pre-harvest
- Post-harvest

