

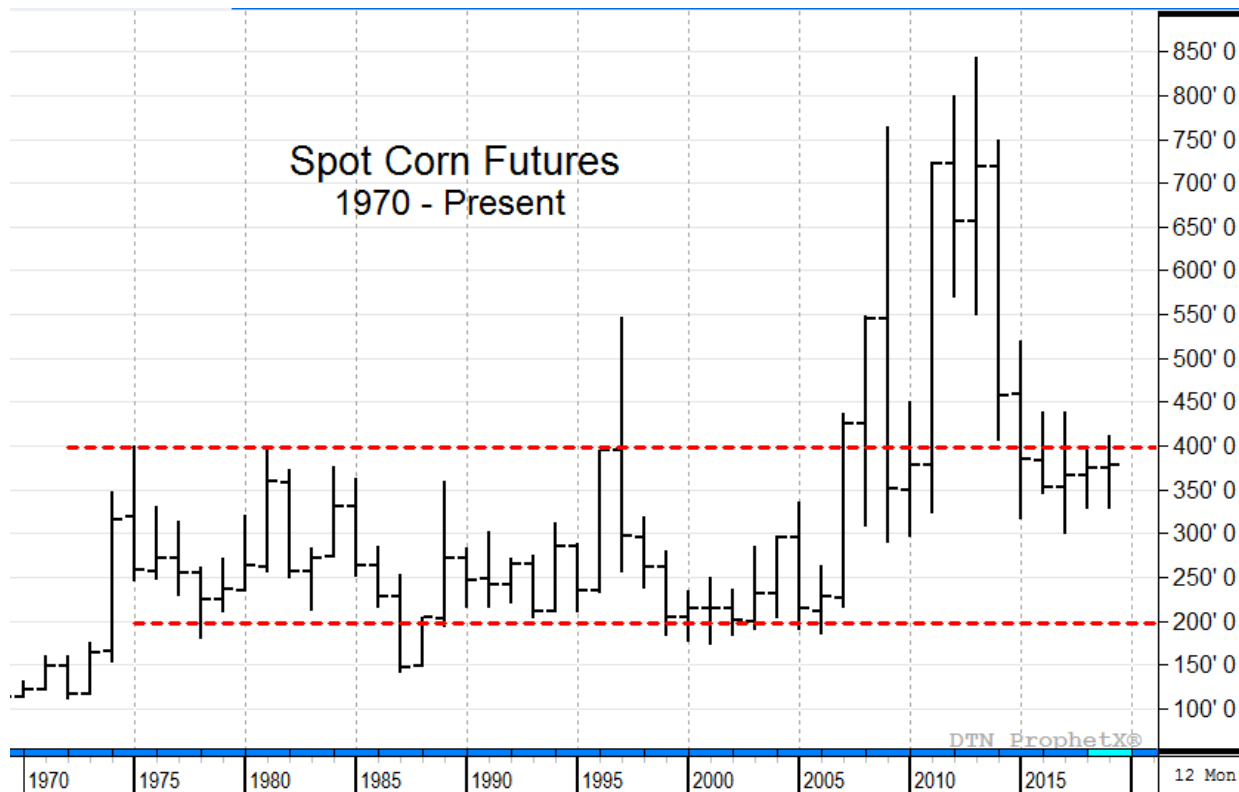
Grain Marketing 101

Digital Influencers Summit
February 19, 2019

DTN Lead Analyst Todd Hultman



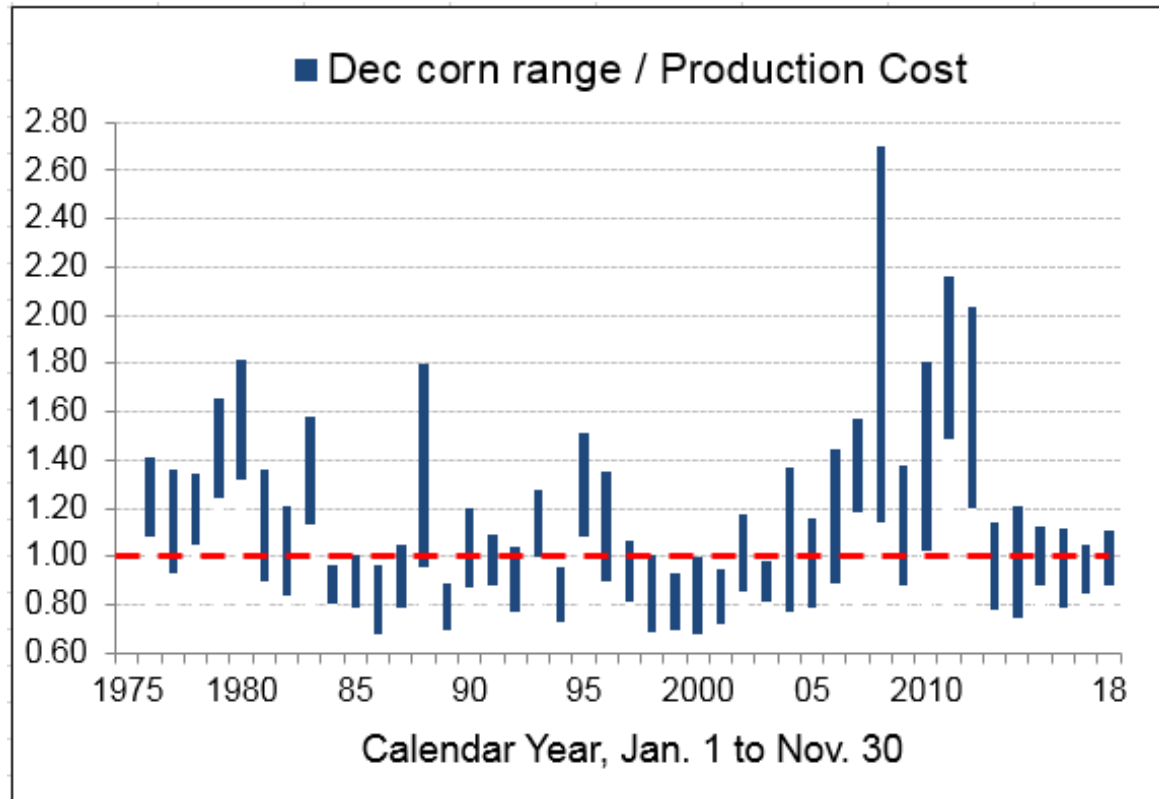
It May Look Easy From A Distance...



For many years, corn prices traded between roughly \$2 and \$4 a bushel.

Prices exploded higher 2006-2012.

...It's A Lot Tougher, Up Close



Prices dipped below full production cost in 31 of the past 43 years.

10 years never made it above cost.

Number of Farm Owners Declining

U.S. Cropland Farms

1982 = 2.01 million

2012 = 1.55 million

(Down 23%)

Harvested Acres

326.3 million

315.0 million

(Down 3%)

226 m = Big 3

What About Crop Insurance?



A Clash of Timing Demands



Typical path of cash prices

Common Marketing Choices

- Forward Cash Contract
- Hedge-to-Arrive – set futures price now, basis later.
- Minimum Price Contract – includes a call option.
- Deferred Payment Contract – for tax purposes.
- Delayed Pricing – price is determined later within contractual limits.

The Traditional Approach

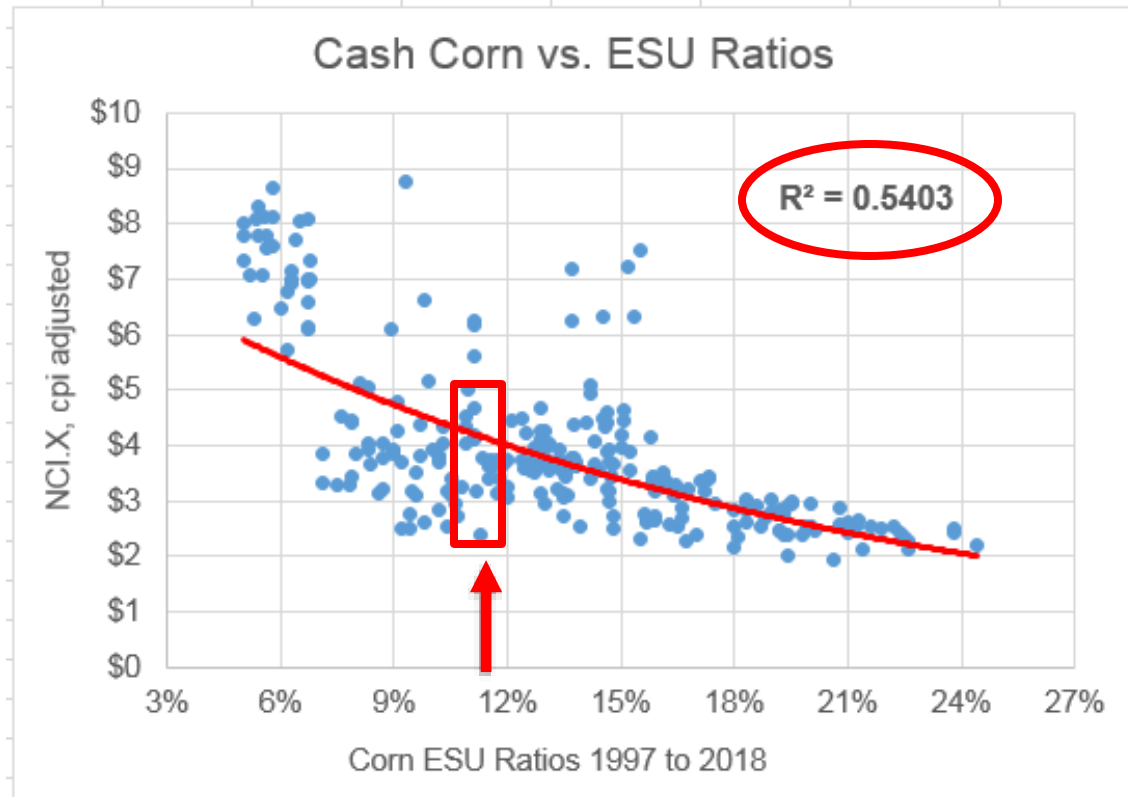
USDA U.S. Corn Estimates

CORN

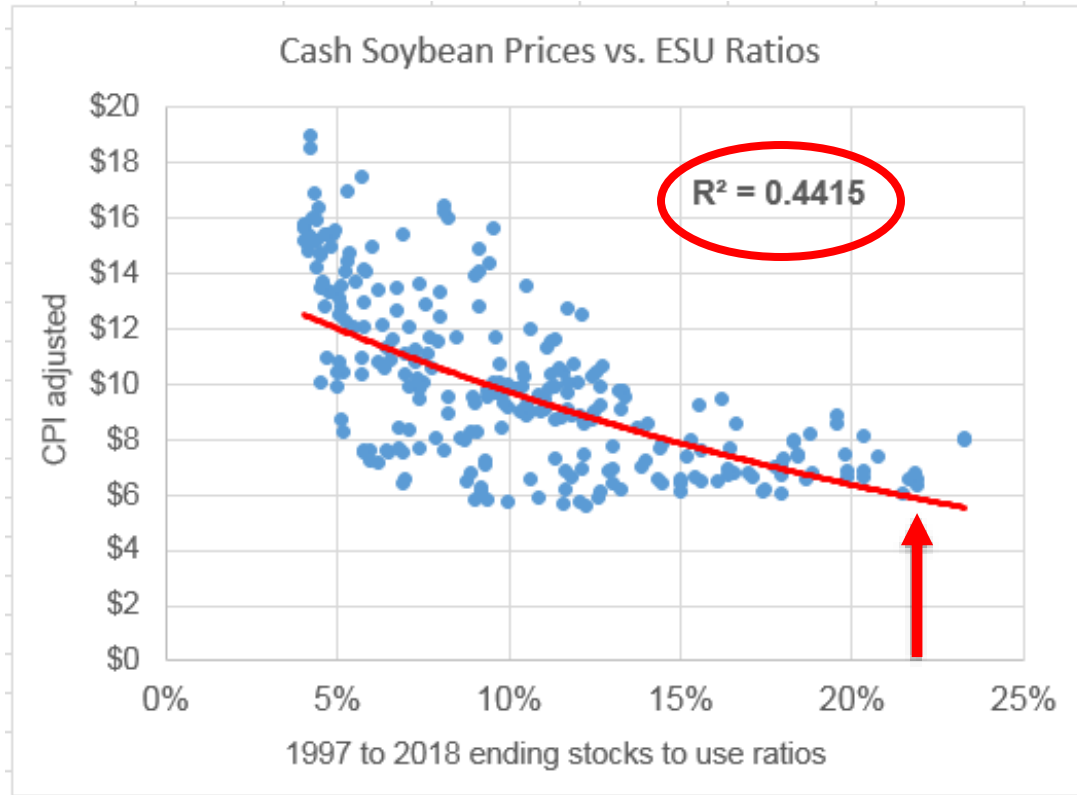
		<i>Million Acres</i>		
Area Planted	94.0	90.2	89.1	89.1
Area Harvested	86.7	82.7	81.8	81.7
		<i>Bushels</i>		
Yield per Harvested Acre	174.6	176.6	178.9	176.4
		<i>Million Bushels</i>		
Beginning Stocks	1,737	2,293	2,140	2,140
Production	15,148	14,609	14,626	14,420
Imports	57	36	45	40
Supply, Total	16,942	16,939	16,811	16,600
Feed and Residual	5,470	5,304	5,500	5,375
Food, Seed & Industrial 2/ Ethanol & by-products 3/ Domestic, Total	6,885	7,056	7,080	7,040
	5,432	5,605	5,600	5,575
	12,355	12,360	12,580	12,415
Exports	2,294	2,438	2,450	2,450
Use, Total	14,649	14,799	15,030	14,865
Ending Stocks	2,293	2,140	1,781	1,735
Avg. Farm Price (\$/bu) 4/	3.36	3.36	3.25 - 3.95	3.35 - 3.85



How ESUs Translate to U.S. Corn Prices



Similar Relationship for Soybeans



Problems With The Old Method

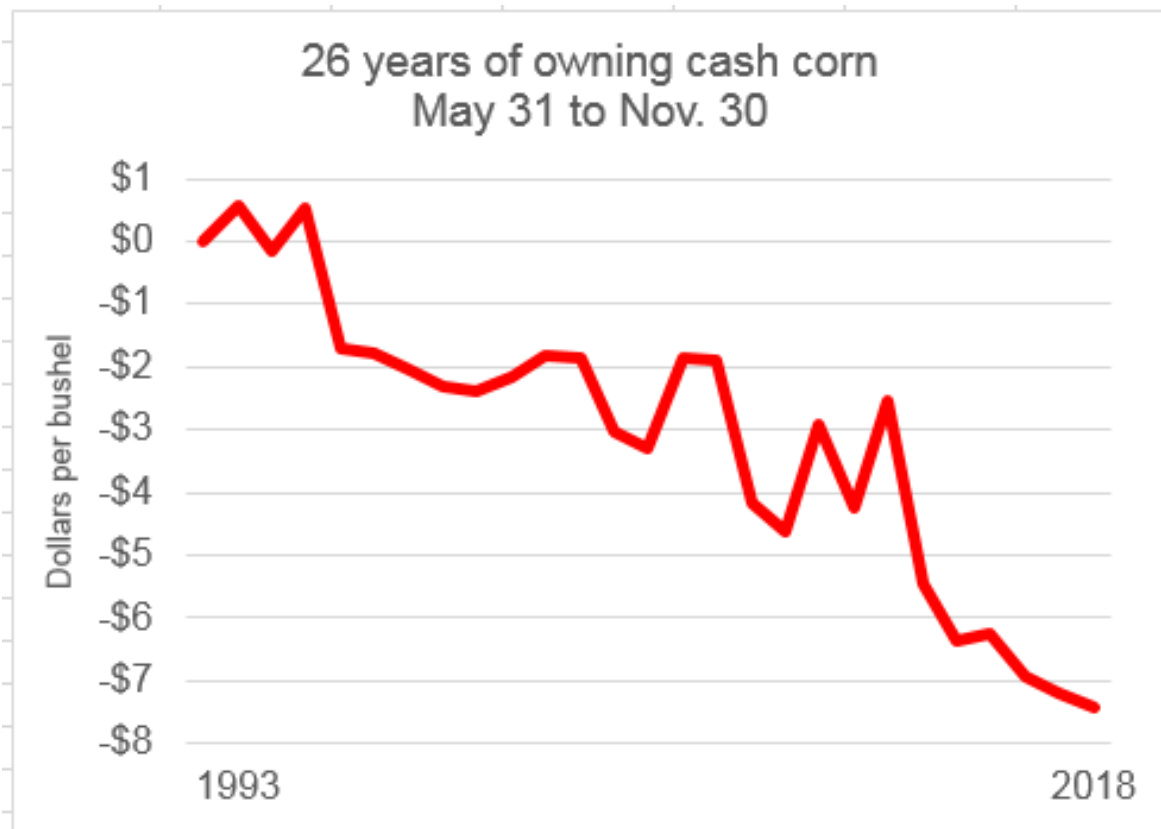
- Markets are not 100% rational... or even 70%.
- Ending stocks/use ratios are not specific predictors of price. The relationship between the two is loose, at best.
- Some supply & demand estimates are uncertain guesses about the future and can change dramatically within a growing season.
- Best effort price estimates are laudable, but the future is always uncertain, vulnerable to surprise.

Creating A New Approach

A Marketing Plan For Times Of Surplus

- #1 - Know your production costs and cash flow needs.
- #2 - Consider buying put options as a form of inexpensive disaster insurance.
- #3 - Set a price target to forward sell 50% of new-crop production by no later than early June for corn, early July for soybeans.
- #4 – Be prepared to store the other 50% of production after harvest until prices are higher the following spring.

What Not To Do



Lost \$7.41 per bushel over the past 26 years.

Avg. annual loss = 28.5 cents.

Similar For Soybeans



Lost \$18.61 a bushel
over the past 26 years.

Average annual loss =
71.6 cents.

Some Final Pointers

- The outlook for each year will vary, depending on what is happening in the world, but don't get caught up in predictions... there is too much uncertainty in the market.
- Keep in mind grain markets are roughly 50% explainable and 50% emotional. Actual price risk is often more than most people think.
- Especially in times of grain surplus, learn to think like a contrarian. Bullish trends create the best selling opportunities.



Need More Help?

DTN's Six Factors Market Strategies offers general recommendations to those wanting help marketing their crops.

Email me at: Todd.Hultman@dtn.com
or visit us at www.dtnpf.com

Thank you!

Recommended Resources

Super Forecasting, by Phillip Tetlock & Dan Gardner

Thinking, Fast and Slow, by Daniel Kahneman

Thinking in Bets, by Annie Duke

Anything ever said by Charlie Munger.