

thehueberreportSM

An Outlook on Markets and the Economy • Advisory Arm of



Diversified Services
Marketing Group



Farm Marketing Plan

for _____

Call Us With Questions: (888) 926-0985

Trading futures and options on futures involves a substantial risk of loss and is not suitable for all investors or producers. Past performance is not indicative of future results.

Fundamental Rules of Great Marketing

1. Always have a well thought out, written marketing plan.
2. Knowing your costs of production and per bushel breakeven is the foundation for pricing decisions.
3. Make sales that have a reasonable return on your investment rather than swinging for the fences.
4. Never before have you had more marketing tools available to you – be sure to understand all of them and don't be afraid to utilize them.
5. Don't be afraid to market multiple crop years if prices are favorable.
6. Store grain to capture carry, not speculate on price.
7. Sometimes your best opportunities come from the basis rather than the Board.
8. Farm for profitability, not for price.

Breakeven Calculator

This is the foundation of marketing for profitability rather than price. Not all expenses may apply to you, but be sure to be as thorough as possible.

	A	B	C	D	E	F
	Sample	Corn	Soybeans	Wheat	Other	Other
1	Acres	1000.00				
2	Yield (APH)	185.00				
3	Removed Amount (Share)					
4	Storage Available					
5	Old Crop Left to Market (Bushels)					
For this section enter your expenses per acre.						
	Sample	Corn	Soybeans	Wheat	Other	Other
6	Hired Labor \$	25.00				
7	Repairs \$	10.00				
8	Interest (Operating) \$	4.00				
9	Interest (Other) \$	2.00				
10	Rent/Mortgage/Opportunity \$	300.00				
11	Seed \$	130.00				
12	Fertilizer \$	170.00				
13	Chemicals \$	45.00				
14	Machine Hire \$	21.00				
15	Supplies					
16	Gas, Fuel, Oil \$	18.00				
17	Taxes					
18	Insurance \$	40.00				
19	Utilities					
20	Marketing \$	6.00				
21	Other:					
22	Other:					
23	Other:					
24	Other:					
25	Other:					
26	Other:					
27	Total Production Multiply Row 1 by Row 2	185,000.00				
28	Marketable Production Subtract Row 3 from Row 27	185,000.00				
29	Total Cost Per Acre Add Rows 6 through 26	\$ 771.00				
30	Total Cost Per Crop Multiply Row 29 by Row 1	\$ 771,000.00				
31	Breakeven Per Bushel Divide Row 30 by Row 28	\$ 4.17				

Marketable Production

Pre-harvest we are only comfortable making cash sales against guaranteed production – that means the number of bushels you have guaranteed by your crop insurance.

	A	B	C	D	E	F
	Sample	Corn	Soybeans	Wheat	Other	Other
1	Total Production <i>(Row 27 from Breakeven Calculator)</i>	185,000.00				
2	Insurance Coverage Level	85%				
3	Salable Production <i>(Multiply Row 1 by Row 2)</i>	157,250.00				

Oftentimes we'll recommend you sell X% of your insured bushels at a certain price.

For Example: "Sell 20% at \$4.50 against the December futures"

To calculate how many bushels that is multiply Row 3 (above) by the percent in decimal format:

$$157,250 \times 0.20 = 31,450$$

The Hueber Report's Revenue Management Platform

Clients subscribed to our consulting services can have all of this information calculated for them automatically, as well as have the advantage of the recordkeeping capabilities of our Revenue Management Platform. Call us to learn more.

Manage Expenses - Per Acre - Corn - 2016

Seed	130	Fertilizer	170
Chemical	45	Crop Insurance	25
Irrigation	0	Fuel	18
Energy			
Custom Hire	25	Rent/Mortgage	300
Freight	0	Crop Consulting	6
Other Insurance	7	Hired Labor	0
Utilities	0	Repairs	10
Debt Payments	0	Operating Note Interest	6
Machinery	21	Other	0

Submit
Cancel



\$ 770
Breakeven per acre



\$ 4.16
Breakeven per bushel

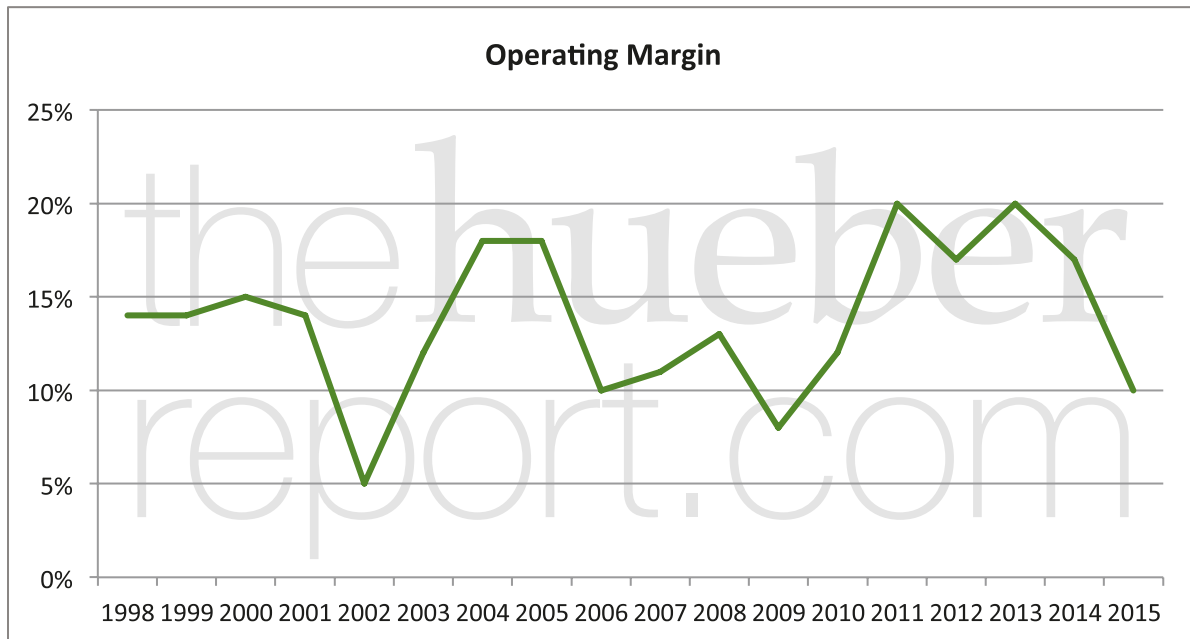
Profitability

Enter your breakeven from Row 31 of the Breakeven Calculator worksheet for each commodity in Row 1 on the worksheet below. To calculate the average cash price you would need in order to get the return (or loss) on investment represented in Column A multiply your breakeven price by the number in Column B.

Going down the line in the sample below an average sale price of \$3.34 ($\4.17×0.8) returns a 20% loss on investment, \$3.54 returns a 15% loss, and so on.

	A	B	C	D	E	F	G	H
			<i>Sample</i>	Corn	Soybeans	Wheat	Other	Other
1			\$ 4.17					
2	-20%	0.8	\$ 3.34					
3	-15%	0.85	\$ 3.54					
4	-10%	0.9	\$ 3.75					
5	-5%	0.95	\$ 3.96					
6	0%	1	\$ 4.17					
7	5%	1.05	\$ 4.38					
8	10%	1.1	\$ 4.59					
9	15%	1.15	\$ 4.80					
10	20%	1.2	\$ 5.00					

What sort of return should you look for? USDA data indicates that since 1998 (and including their projections for this year) the average operating margin for farms is 14%. Recognizing the 2015/16 marketing year to be one of lower expected margins you should adjust your targets accordingly.

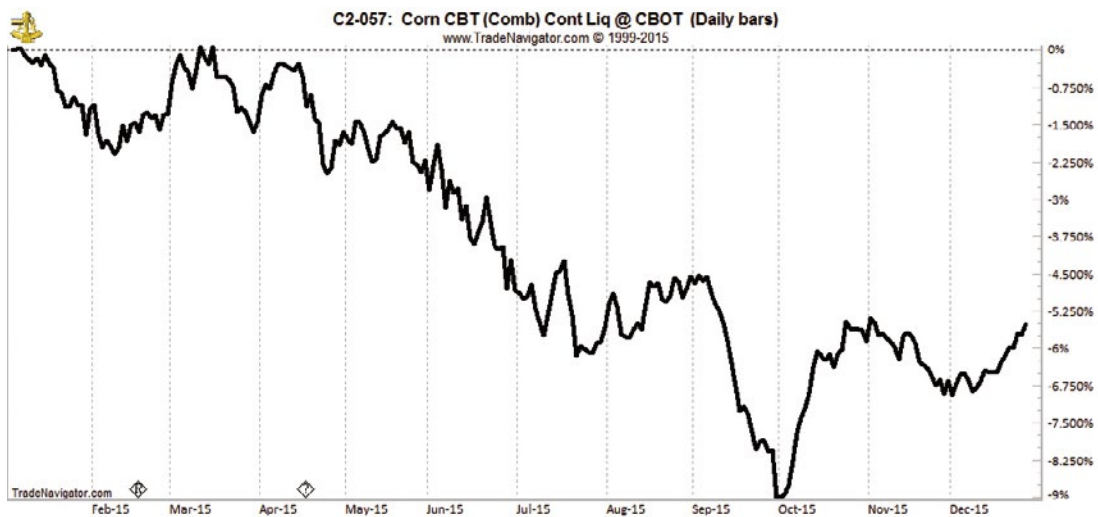


Seasonality

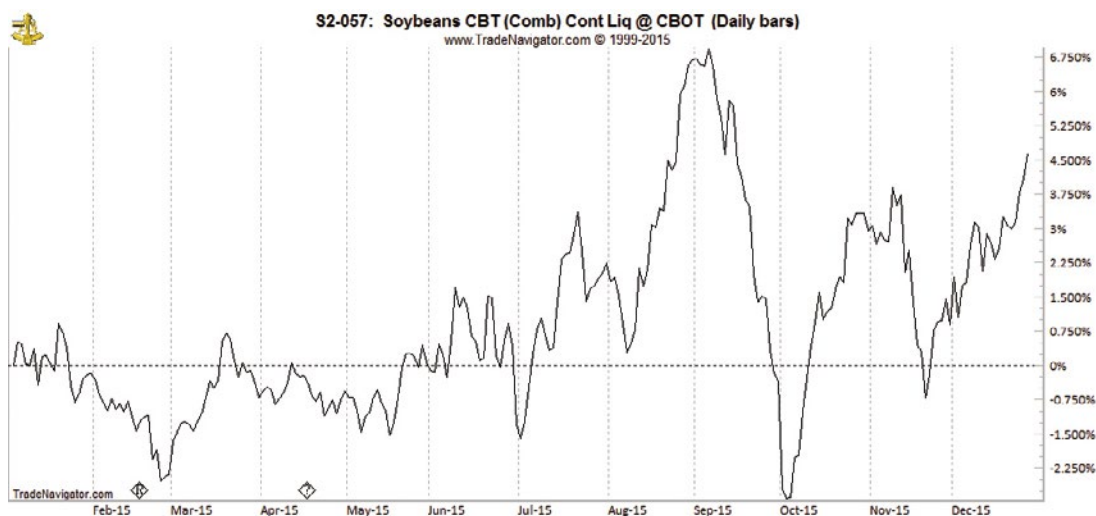
Grain markets have a tendency to experience similar price patterns due to their production cycle. Corn gets planted in the spring (too wet/too late?), pollinates in the summer (too hot?), and matures and gets harvested in the fall (early frost/too wet?). The parentheses in the last sentence highlight the questions that get asked every year and demonstrate the need for risk premium in the markets. As you'll see in the following seasonal charts these periods are often some of the best pricing opportunities for producers. They also show that you shouldn't be afraid of forward selling since supply is at its greatest at harvest, and thus prices are typically the lowest of the year.

These charts represent the average movement of all new crop futures contracts since 1990:

December Corn



November Soybeans



July Wheat



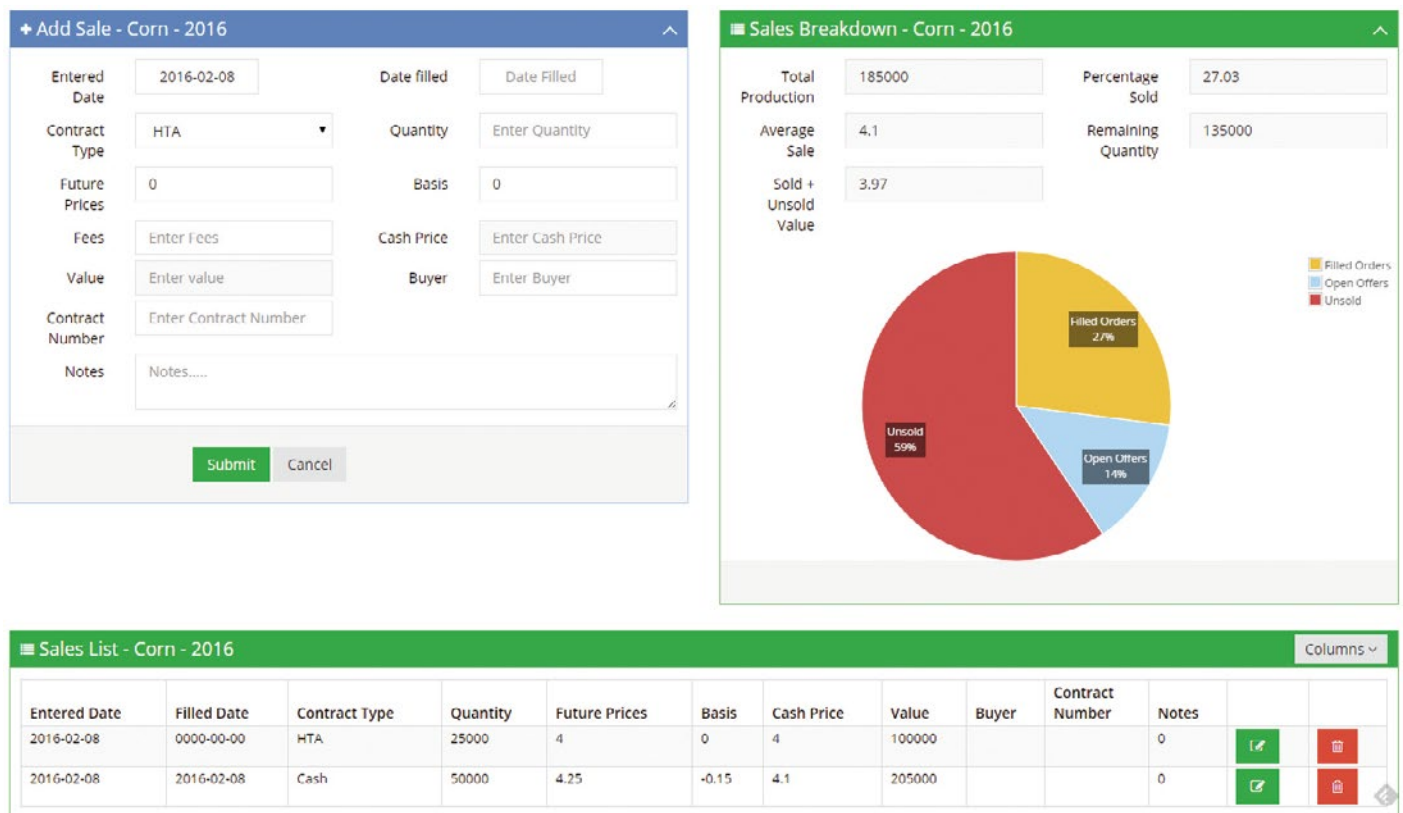
Armed with this knowledge you'll have a better understanding of how the markets cycle and when to make sales. If it's March 1st and you can lock in a 20% profit on corn and you don't you are gambling, not running a business. If the market is handing you money, take it!

Pre-harvest Marketing Plan

In this section you'll write down how many bushels you plan to sell at each level before harvest. You'll only do this with insured bushels, since you won't know what your total production will be until after harvest. Remember that we farm for profitability, not just for high price. It helps to break your production down into units. Units divisible by 5,000 are best because you are able to utilize the options on futures market with that quantity. If that isn't feasible divide them into units divisible by 1,000 bushels. For most producers 10 units is a good number to market since it gives you plenty of flexibility to spread sales (and risk) around, and it isn't so many you'll lose track of your sales.

Of course, you should be keeping track of your sales in one place. The Hueber Report's Revenue Management Platform is the ideal tool. Our platform will track your sales, delivery dates and points, and any other information you'd like to enter. Additionally, it will give you a day-by-day update of the value of your production by factoring in your current cash sales, hedges, option contracts, unsold production, and possible insurance indemnities. You can also run what-if scenarios to see the impact of changes in price and/or yield.

Here's a screenshot showing how easy it is to keep track of your sales in our online platform:



To learn more about how you can get access to this give us a call at (888) 926-0985.

Pre-harvest Marketing Plan – Putting It Together

To start the marketing plan we first need to determine how many bushels we have to sell. We do this by multiplying our crop insurance level by our expected production (from earlier worksheet).

Crop	Production		Insurance Level		Sellable Production
Sample	185,000	x	85%	=	157,250
Corn					
Soybeans					
Wheat					
Other:					
Other:					
Other:					

Now that we have our sellable production number we can break it down into marketing units. As stated earlier we prefer to have the flexibility to use option contracts and thus would prefer to have our units be divisible by 5,000. Your units likely won't be perfectly divisible by that, so feel free to round up or down. You can round up as long as you shorten your last unit to make up for the larger previous units.

Crop	Sellable Production		Number of Units		Sale Unit
Sample	157,250	÷	10	=	15,725 (round down to 15,000)
Corn					
Soybeans					
Wheat					
Other:					
Other:					
Other:					

In our example above we divided our sellable production of 157,250 bushels into ten units. The math worked out to a unit size of 15,725 which we then rounded down to 15,000 (three futures/options contracts). The leftover 7,250 bushels can be used for a cash sale or to be most flexible broken down further for futures/options marketing.

Starting balance: 7,250 bushels
 Less one futures/option contract: - 5,000 bushels
 Balance to be divided: = 2,250 bushels
 Less two mini futures contracts: - 2,000 bushels
 Balance to be marketed: = 250 bushels

By doing this math before you start marketing your crop you'll ensure you are able to take advantage of the maximum amount of flexibility available.

Pre-harvest Marketing Plan - Tools In the Toolbox

There are a few things you need to consider in order to determine the proper type of sale to make. Consider the pros and cons of each and discuss your options with your marketing consultant.

- What are the fees associated with this sale?
- Does this offer the flexibility to *make adjustments as circumstances change*?
- How do basis levels compare with historical averages?
- Would I rather control the price using futures or options in *my own account* and not have to commit the bushels to the elevator?

Pre-harvest Marketing Plan – Putting It All Together

In the pages ahead you'll do something most producers never do – have a written marketing plan. This plan holds you accountable for your actions and forces you to think in terms of profitability.

To come up with a good marketing plan you need to formulate an opinion of where the market could go over the course of the marketing year. Your representative at The Hueber Report can help with that. In our sample plan let's pretend we think the price of December corn will be bound between \$4.60 and \$3.60.

With that you should also think about a sale of all of your production if the market gives you an extraordinary profit. For example, if you realize a 30% return on investment you'll sell all of your insured bushels at that price.

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1	15,000	\$4.20	1%	Locks in a small return on investment and reduces downside risk
Sale 2	30,000	\$4.40	5%	Realizes a reasonable return on investment that I'm comfortable with
Sale 3	15,000	\$4.50	8%	Close to upper end of marketing year target
Sale 4	90,000	\$4.60	10%	This is as high as I think the market will go
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – Corn

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – Soybeans

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – Wheat

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – _____

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – _____

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Pre-harvest Marketing Plan – _____

Highest Expected Price: _____

Lowest Expected Price: _____

Price at which I'd Sell Everything: _____

	Quantity	Price	Return on Investment	Why I Will Make the Sale
Sale 1				
Sale 2				
Sale 3				
Sale 4				
Sale 5				
Sale 6				
Sale 7				
Sale 8				
Sale 9				
Sale 10				

Sale Records - Soybeans

Use this page to keep track of your sales.

Date	Quantity	Price	Contract Type	Contract Number	Value

Total Quantity Sold: _____

Total Value: _____

Average Sale (value/qty): _____

Sale Records - Other _____

Use this page to keep track of your sales.

Date	Quantity	Price	Contract Type	Contract Number	Value

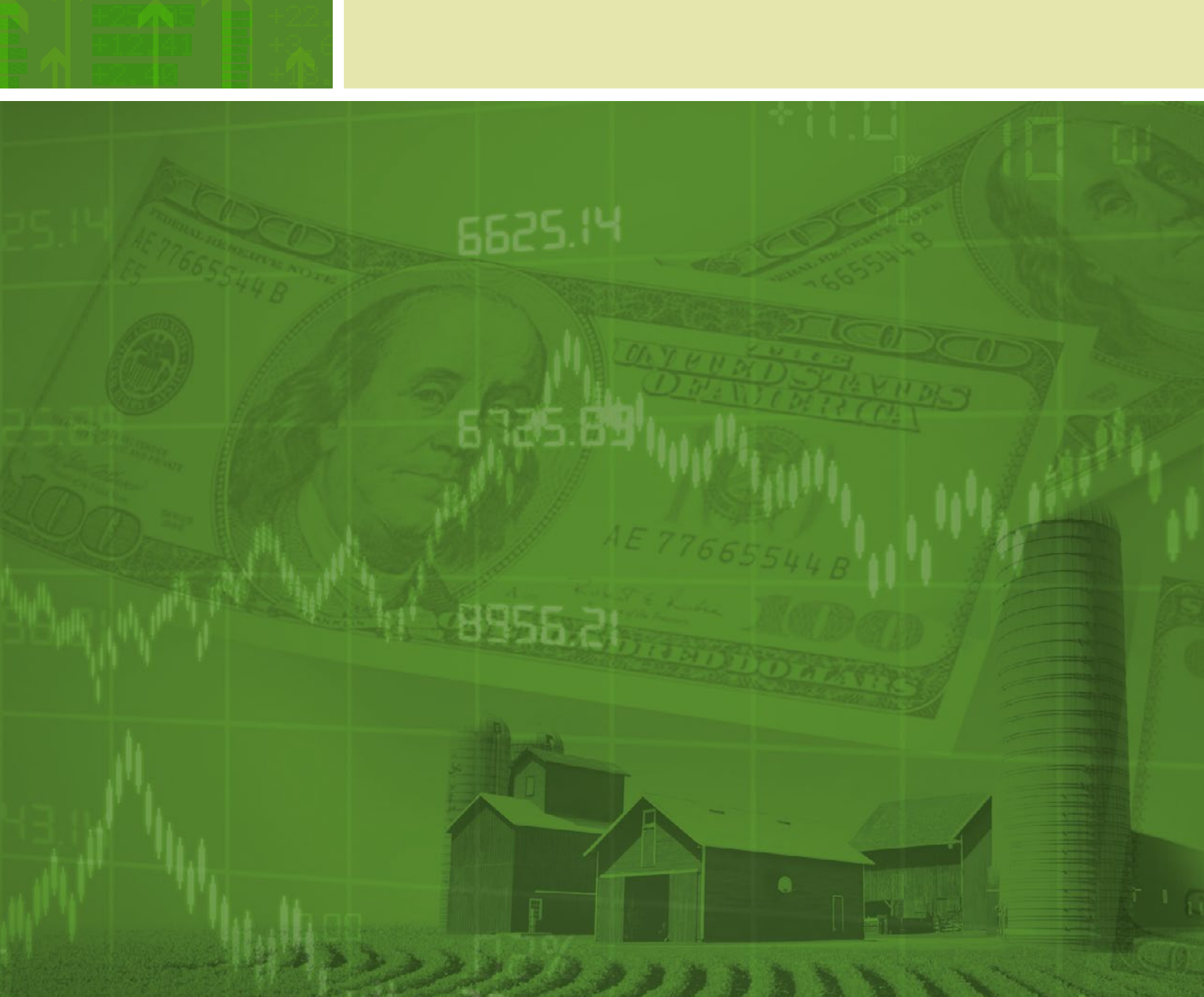
Total Quantity Sold: _____

Total Value: _____

Average Sale (value/qty): _____

[illegible]

Average Sale (value/qty): _____



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