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Monday night marketing - Session 8: Putting all of the pieces together:
developing marketing plans

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00:00:22:22 - 00:00:46:02

Unknown

Well. Good evening everyone. It is 7:00. We are going to get started. We have a small group tonight. Hopefully we'll have a few more that, sign in, and I've kind of learned a few lessons with this, first attempt at an advanced class. In addition to what we've been doing, it's a basic class. It may be that eight weeks is a little long.

00:00:46:04 - 00:01:19:02

Unknown

I've got to thinking about maybe, a six week program might be the best, but I certainly appreciate you being here tonight. Hopefully you'll find the information, helpful. Again, this is kind of where we tie it all together, and really talk about the process of putting together a marketing plan. And as we go through this tonight, what I'd like to do is also address, what you can do now, I'm realizing that most pre harvest, marketing, plans are developed usually prior to the first year.

00:01:19:02 - 00:01:38:03

Unknown

You know, December is not a bad time of of the year to be putting these together. And so if you were looking at going forward with a marketing plan for this year, obviously it would be kind of a piecemeal. But as we go through the steps involved in really putting together a good marketing plan, as you'll see many of these steps you've already accomplished.

00:01:38:09 - 00:01:58:17

Unknown

And so it just be a matter of, taking the information you have as you've already developed these steps, kind of putting them together and then looking forward. And one of the things we'll take a look at is where you might want to be at this point in terms of a marketing plan. This year has been unusual in terms of what's happened with prices.

00:01:58:19 - 00:02:27:23

Unknown

And so most, marketing advising services have recommended that producers make some, pre harvest marketing. At this point, having marketed a certain percentage of their production, which is a little unusual. Normally, we don't see much action in pre harvest. Marketing until our previous planning, pricing until a little later on in the year. So we'll talk a little bit about that as we move on.

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Unknown

Then this evening. So just to go through a few of the concepts that we talked about last week, again, we looked at price, seasonality. Pretty important point. Certainly what we want to do is price season. And seasonality is have an opportunity to understand when prices are normally high and look for marketing opportunities during those times of higher prices.

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Unknown

And, as we saw from last week, some commodities have, very definite price seasonality. If you look at corn, for example, year in and year out, that, July, June-July period of time is typically a great time to start looking for marketing opportunities. And if we look at wheat, kind of bounces all over the price higher place and then, with both fed cattle and feeder cattle pretty heavily, influenced by, when the bulk of those animals come to market based on the fact that in North America, most of our cattle ranchers will cabin during the spring months.

00:03:34:19 - 00:03:59:14

Unknown

Pre harvest market plan. Hopefully, if I've done nothing, over the course of the past eight weeks, hopefully I haven't, imparted to you the value of this pre harvest marketing plan and that you really need to look for opportunities year in and year out to pre harvest market a portion of your production. I think it's kind of you know it's just going to work out for you in most cases.

00:03:59:16 - 00:04:20:23

Unknown

And we talked about how you set that up and gave you some what I think are some pretty good examples of kind of a stepped in approach, that makes it feel a little better to you that maybe you've not missed out on marketing opportunities if you take that approach versus large sales? At any given time. A little bit about post harvest marketing.

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Unknown

Obviously that doesn't pertain as much to livestock producers unless you're a cow calf producer and you might consider retaining ownership in those cows and getting them to the feeder cattle stage, then certainly you would have some post harvest marketing, for grains, it's very important, in that we have the ability to store grains either on farm storage or we can rent commercial storage.

00:04:46:01 - 00:05:17:20

Unknown

And so, that's something that, that we definitely have to include in a, a grain marketing plan. Talked about some advanced marketing tools. Again, the ideal is continue to build that, toolbox that you have. And we'll even talk a little bit about that even tonight as we talk about evaluating a marketing plan. But certainly hopefully you've you've really developed a feeling that, marketing is one of those topics that certainly falls into the area of lifelong learning.

00:05:17:20 - 00:05:47:02

Unknown

You can never learn all there is to know about marketing your commodities. You should have, make plans for continuing and continuing education in this area. And if nothing else, you know, really get into what are some additional marketing tools that you could use, or maybe there's tools that, you know something about that you haven't used before, maybe trying to see how those might work for you and then finally, this, deciding when we're going to use the pricing tools.

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Unknown

And hopefully that matrix that we provided last week was important. Really looking at do we think futures are going to market? Prices are going to go up or down. Do we think your local basis is going to widen or narrow and based on those two factors and the combination of those factors, we looked at that matrix, looked at the four quadrants, one quadrant being prices are going up and basis is becoming more favorable or narrow.

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Unknown

Prices are going down. Basis is again narrowing or becoming favorable. The other side prices are going up but basis is widening. And then futures prices are going down and basis is widening. So we know that certain pricing tools work better in each one of those, different situations. So tonight we've got a couple of things that we want to talk about.

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First, I want to talk a little bit about a market advisory service. And throughout the course of our time together, I've given you the opportunity to look at a couple of these, and there are hundreds of them. But, it was the Brok report. And then also cattle facts. And so hopefully you've been able to glean a few things about, those services and how they might help you.

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Unknown

We're going to expand this a little bit and talk about what those services can provide. And then also, which for some people, I think works out really well, many of the services offer managed marketing where you actually pay a fee. Usually it's based on bushels or hit or

hundredweight, and you actually have a third party, someone else basically doing the marketing for you.

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Unknown

And for some people that may work out really well if you have a very complex, production, operation, maybe you don't have time to really devote to, doing your own marketing. It may be that you're just not comfortable with it. And one of the things I find is some people just find it difficult to, make decisions.

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Unknown

And one of the things that we find in marketing is we have to be in a position to make a decision, pull the trigger, and actually sell something. And for some people, that's difficult to do. They're, very deliberate in their, approach to making decisions. And sometimes that very deliberate approach, takes some time and you may miss out on marketing opportunities.

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So we'll talk a little bit about managed marketing. And then the Ruth, crux of what I want to do tonight is, is really get into how do you develop a marketing plan, what are the steps you have to take to put this together? And then we'll again interject thoughts about, since we're coming into this late, we're in the end of March.

00:08:31:06 - 00:08:58:01

Unknown

And as I mentioned earlier, most pre, harvest pricing plans for marketing plans are developed in that December January timeframe. What could you still do this year to, put together your first marketing plan and actually look to execute that in the months ahead? So go on again, just a little bit about basis. Unfortunately, I, I didn't pick a good livestock market.

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Unknown

I'm going to have to find a better one. They aren't reporting on a regular basis even though they appear to be having feeder cattle cells. But certainly, the wheat and corn markets we've chosen, as with most, elevators or grain merchandizers that have an online presence and they're going to report, quotes, every business day of the year, every day that the futures, is trading, they're probably going to give you a, a price here.

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Unknown

Nothing really big going on with the exception, as of, we saw a narrowing of the basis, for corn and tax. And as you note, the quote, as of last Thursday, basis had narrowed to \$0.08 under, it had been 11 since, I think, ever since we started tracking it. So that tells me that some things are happening locally.

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Unknown

I've heard rumors that locally we are running out of corn. Feedlots are having a difficult time sourcing corn. The, ethanol plants, have had some issues. And in fact, the ethanol plants are, positive basis in many cases because they're having issues sourcing local corn. So, a really a good example of how basis works.

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Unknown

And, especially a situation where basis reacts to local supply and demand situation, I would expect as we get, continue to go through the marketing of old crop corn, realizing we're not going to have any new crop corn until, October of October or November, December, that we're probably going to see, basis, tighten and, narrow, for, corn especially we may also see some changes in wheat.

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Unknown

I'm starting to hear a little rumbling that that feeders are considering adding a little wheat, to rations. And so, and that's not really from as much from a price standpoint as it is from a maybe an availability standpoint. So that'll be interesting to watch as we go forward. What happens with that, corn basis for old crop corn?

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Unknown

So let's just talk about some things that have happened, with our commodity markets. And this kind of leads into why, more and more people are looking to some sort of, market advisor to help them, make sense of these markets. And really, what we've seen over the last several years is a commodity. Markets have really become more volatile.

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Unknown

Actually, in years past, especially the grain markets. The thing that really tended to drive those markets, almost as much as supply and demand was the, market assisting loan assistance loan program through the Farm Service Agency and, the local loan rate, because that was kind of considered the bottom of the market. That was where resistance was.

00:12:02:10 - 00:12:34:24

Unknown

And the markets tended to kind of trade sideways, to that, loan. Amount, in many cases for quite some time. Once we started the growth of, biofuels fuels, especially ethanol, that's really added some volatility to market because it's added another demand, function. The the other thing that we've seen is the growth of hedge funds or what we call funds, trading commodities.

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Unknown

And as, interest rates decline, you know, as the stock market is not returning, the type of return that, maybe a hedge fund manager would like, they'll get into the commodities and not only agricultural commodities, livestock and grain, but all commodities. They may be trading, metals, they may be trading lumber, they may be trading, you know, all kinds of different commodities.

00:13:03:11 - 00:13:35:23

Unknown

And so that adds volatility to the market. Again, that's another source, where markets are being traded, both, bought and sold. Certainly as we see grains become volatile, that causes changes in feed costs and makes those feed costs more volatile and that contributes to fluctuations in feeding returns. Realizing that depending on the class of livestock and the stage of feeding, cost to feed is, you know, 60 to 80% of the cost of production of livestock.

00:13:36:00 - 00:14:02:18

Unknown

And so that's, another factor that we've seen a bullet point that I've not included here, that we really, you know, could have had and should have had would be world markets, and certainly was, produce quite a bit of volatility in the current, grain market. And also specifically the hog market here in the U.S. has been the interest among China to buy ag commodities.

00:14:02:20 - 00:14:27:06

Unknown

And, one of the things that that typically makes that more volatile is the market tries to guess what the Chinese are thinking, what they're going to doing, going to be doing. And one of the issues we have with, trying to out just, trying the Chinese market is we don't get really good information from them. You know, as opposed to the Chinese.

00:14:27:06 - 00:15:08:19

Unknown

We're an open book as a, as a, society. You know, we don't have a lot of secrets, especially when it comes to production of agricultural commodities. The USDA publishes information on a very regular basis about what's happening in the production and consumption of commodities. The Chinese, on the other hand, keep information very, very close to the best is, excuse me, a really good example of that right now is the fact that that we have, a pretty good idea that the African swine fever, is causing problems again in China.

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We've seen, changes in, market prices for, hogs. There of people who have visited and have indicated that there are outbreaks and even their official, news media has mentioned outbreaks in a couple of fairly large, hog producing regions in China. And so that's really, cause for a lot of speculation and a lot of volatility in the lean hog market here in the U.S., thinking if the Chinese are having a problem again, and if it's at

the magnitude that some people are reporting, then they're going to have to come to the U.S. for supplies of pork.

00:15:50:01 - 00:16:27:11

Unknown

And they've started to do that to some extent. So world market conditions and especially big players like China also add to this market volatility. We say that to, bring up the idea of of a market advisory service. And I can't in the old days where, really the thing you were looking at again were these loan deficiency payments and, and county loan rates, this kind of setting the base and the, the, the floor for commodity prices and prices, marketing within a pretty narrow range.

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Unknown

Many people felt comfortable doing their own marketing as we've increased it, increase the volatility. As these markets have become more complex, then a lot of people have been looking to, a market service. One of the big questions I get asked when I talk about these market advisory services, well, how would I know that I really need one?

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Unknown

I think a really good way to do that is compare the prices you've received for your crops the last 3 or 4 years, and then compare those with our state average prices. And so, you know, again, take some of the marketing prices you've received average those over the total bushels. The total number hand the total hundredweight that you've produced and see what that average has been.

00:17:11:19 - 00:18:18:10

Unknown

What's been your, average price for corn, your average price for wheat, your average price for your, your, your calves, over the past 3 or 4 years. And then a good place to go to get state averages for crop enterprises are our CSU crop enterprise budgets. And what I want to do is take just a minute and pull those up and show you how you can utilize those that come up with those, average cash prices for crops.

00:18:18:12 - 00:18:43:24

Unknown

Okay. Hopefully I'm now sharing with you a website, our ABM website. Again, because I can't tell for sure if that's happening. If if I am, if one of you give me a thumbs up, it's just so that you see, I know that you're looking at that website. Okay, great. Thanks, Jace. So, this is our, ag business management, website.

00:18:44:01 - 00:19:10:01

Unknown

Lots of great information here. I don't think we've talked about this much in the class, but, I always tell people the easiest way to find it is just to a very simple, search. You know, use Google and search CSU space ABM. And usually the first or second hit would be our website. I

also recommend, once you find it, bookmark it because hopefully it'll be one that that, you'll want to go back to time and time again.

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Unknown

So we have a number of cropping and price budgets. We've organized these buys a particular crop. And so if I want to take a look at corn, we have budgets going back a number of years. And what we do is we, designate these budgets by, type of production. You can see irrigated corn and then also the region of the state.

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Unknown

So, I am responsible for any budgets that are put together for northeastern Colorado or the South Platte Valley. I've got a colleague in Grand Junction that does the West Slope budgets and then, colleague in Pueblo that does the Southeast Colorado budgets. So again, what we're trying to do is come up with the state average price for corn.

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Unknown

And what I do when I put together these budgets is that's where I go to find that, information. So I'm going to pull up this year, get a corn budget.

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Unknown

And I'm going to stop share. And then we're going to pull up that budget.

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Unknown

And again, give me a thumbs up if you see a Northeast Colorado irrigated corn budget okay. Great. Thanks. Appreciate that. So, let me tell you a little bit about these budgets. Again, we have the area of the state, the actual, type of production commodity, irrigated corn. And then we have the year and we do budgets a little differently here in Colorado.

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Unknown

Some states do projected budgets. So they actually would have projected costs for 2021 and they'll have 2021 budgets. We build our budgets on actual costs. So because of that we're a year behind. What I find is the budgets are pretty close year to year. We don't see great changes, especially in the expense side. And so we're a little more comfortable giving you actual numbers versus projected.

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Unknown

And so if you took this 2020 budget and use it for 2021, it's going to be pretty close. And so as you can see we have the budget. Dennison split into several different, sections. First we have gross receipts. And so if you wanted to know what's the Colorado average price for corn in 2020 was it was 367 a bushel.

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Unknown

So from the standpoint of deciding do I need a marketing service again, take a look at what your average, what your average price for corn you sold in 2020 was. And if it's below that 367 that might tell you this might be something that would be helpful for you just to talk a little bit more about the budgets, notice that we have a number of, cells that are in green.

00:22:09:16 - 00:22:38:17

Unknown

That's an opportunity for you to put your own data in to determine, what your actual, costs are for your farm. We have our direct, costs. We break those down to pre harvest operating cost. Then we include our harvest cost to get a total operating cost. Then we add some ownership costs. General farm overhead machinery overhead, real estate taxes.

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Unknown

And to get our total direct cost. And then finally we add, a factor payment for land and what we do with this is every year I, call a half a dozen, land appraisers that I work with in this area and say, give me the, the average price of land in north eastern Colorado, and I ask for, sprinkler gated land flood irrigated land and dry land.

00:23:07:06 - 00:23:34:02

Unknown

And so in 2020, based on sales, I kind of the average price for this was actually sprinkler irrigated because it is, we have the sprinkler costs worked into the budget. We came up with \$5,600. We apply that by a rate of return. And we're trying to look at if, you know, you are a landowner and you owned ag land at \$5,600 an acre.

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Unknown

If you took that money and invested it somewhere else, what might be, a reasonable rate of return. And, you know, people can argue a 3.7% to high to low. We develop some factors that we look at to come up with that. But basically we're looking at the value of that sprinkler irrigated land at, \$207.20 an acre, which, you know, could be one other way.

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Unknown

You could look at it. What if you're renting land? What does it cost me? An acre grant land. And that may be high for sprinkler irrigated land in your area. And so that may be something you could put in. Again, if you're renting land. And then the other thing that we come up with here that we're going to talk about a little bit more, is what's known as a breakeven analysis.

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Unknown

And it's the per acre returns over the total direct cost. And so that would be this number here not including the land payment. And so what we

do with this breakeven analysis or what we often refer to as a sensitivity analysis, we say what happens if our yields change and what happens if prices change. So we put in in the middle point, the yield for the budget, which was 201 bushels.

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Unknown

And then we put that price that we've used and then let's say, what happens if prices go down 10% or 25% or they go up 10% or 25%? And then on the yield side, what happens if yields decrease 10% to one 80.9? If they decrease to 25% to 150 .75, if they increase 10% to two, 21.1, or if they were to increase 25% to 52, 51, 25.

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Unknown

Basically, what does that do to the profitability of this particular enterprise? And you can see any number in red indicates that you're losing money. And it gives you the amount you're losing per acre, money are numbers in the black would referred to. If you're making money, the importance of a sensitivity analysis is to give you an idea.

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Unknown

You know, what happens if prices are lower than we think? Or what happens if yields go down? Obviously, we would really like a situation and we have a few budgets or this is the case, where most of these numbers are in the black, you're making money. So it's a good idea to kind of know. Well, what happens to the profitability of this enterprise, if things don't go as is planned?

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Unknown

So, again, we've got a number of these. My, interest in showing you, these at this point, again, were to give you the opportunity to find a place where you can find those, average prices for Colorado as a way to be able to determine if, you're doing a good job marketing, you know, how do you stack up with what the average price in the state is for the commodities that you're producing?

00:26:51:15 - 00:27:22:08

Unknown

Okay. And hopefully we're back to the PowerPoint again, a thumbs up if you see the PowerPoint. Great. Thank you. So again compare those averages. Our website is a great place to go for the average crop prices. The Colorado Weekly cattle auction summary is a, place you can go for feeder cattle information. They do, archive this information.

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Unknown

I think they've got 2 or 3 years on the website. It's a little bit more difficult to use than these budgets because you're not, given the average for the entire year. If I think a good way to do this would be to say, okay, I'm, I typically market my calves in October, so I'm going to go

back 2 or 3 years, and I'm just going to average the prices for the month of October.

00:27:47:06 - 00:28:18:17

Unknown

It's a weekly report. So you're going to have 4 or 5 of those. But that may be a good way then to come up with, an average price for the state that you can compare your own prices to. And again, get kind of an idea of where I am. I with, my marketing efforts. And, if you know, I'm not beating at least the state average, maybe that tells me, having more information would be helpful.

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Unknown

So some services that are typically provided by these, market advisory companies, weekly newsletters and I've tried to be diligent and send you the weekly newsletter, both from Cattle Facts and the, Brock Associates. If you look through those, you can see this fundamental analysis of supply and demand. Brock has a lot of charts. They really like charts.

00:28:42:23 - 00:29:15:04

Unknown

And then also market development or market news that you can use to to get a feel for why the market markets are reacting the way that they are. Some will give you, market recommendations. And as we'll see, we'll look at, you know, the Brock report does that cattle facts stats to some extent. And typically these recommendations are especially on the grain side, are really, divided into three areas.

00:29:15:06 - 00:29:43:23

Unknown

Usually they'll give you, a recommendation in terms of, how much usually how much of your commodities should be sold by a certain period of time. And they'll break that down into three general classifications of marketers. One is what they call the cash only, marketers. And really cash only, or for contracts or any kind of a marketing contract through a grain merchandizer.

00:29:43:23 - 00:30:12:03

Unknown

Or maybe it's, a feedlot that wants to for contract or feeder cattle if you use those, types of, marketing tools, then you're usually considered a cash marketer. And maybe an easier way to look at it is if you use any tool other than, futures and options, you're kind of considered a cash marketer. Then the next level are conservative hedgers.

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Unknown

And we've really, approached using, futures and options from a standpoint of we're a conservative hedge or, and typically what a conservative hedger will do is lock in a position and then leave that position in place until the cash markets are cattle or cash markets are commodity. So all of the examples that we provided for you when we were going through,

hedging and options, futures and options were really what a conservative hedge would do.

00:30:43:06 - 00:31:10:17

Unknown

Typically it locks the position in place and you just leave it. You're not you're not moving it. And then the final, type of market are people that are called selective hedgers. And the Brok report gives you a lot of information about being a selective hedger. And, as a selective hedger, you can buy or sell, futures or options.

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Unknown

And really what you're doing is, is you're trying to add, money to your, cash position, or you'll ultimately sell the commodity at the cash market by making little incremental, profits or, or cash in the futures and options market. And so sometimes you're going to be short, sometimes you're going to be long when your position has got to the point where you've made some money and it looks like the market's going to go against you, then you get out of that position.

00:31:43:22 - 00:32:14:22

Unknown

And pretty sophisticated way to market it. Take someone that really understands, marketing quite well to do this. And so again, most producers will either be cash only, which means they use every tool available, but futures and options or a conservative hedge or lock a position and leave it until you cash markets the crop and then offset the position.

00:32:14:24 - 00:32:45:00

Unknown

Some additional services. And again, you're going to pay for these, daily outlook recommendations. Sometimes you'll get marketing alerts, when the service, thinks it's time for you to do something, they're going to send you an alert. Most of them are currently using email or text. And, Brock is a great example. I don't think a week goes by that they're not providing some kind of a marketing alert or, recommendation for a position, on a commodity.

00:32:45:00 - 00:33:05:05

Unknown

In fact, I'll show you some examples that just came through my email today. And then a lot of them will also provide, marketing seminars. But pre-COVID, a lot of those were live, and then since Covid, webinars. Brock, I think and in cattle fax both I think do a great job in both of these.

00:33:05:07 - 00:33:26:08

Unknown

And I've attended a number of the, marketing webinars that each one of them have. I've got a subscription that's at a high enough level that the I that's part of my subscription. And so, again, you can get as much

information or as little as if you're interested in a lot of these services. They have a lot of different, packages.

00:33:26:08 - 00:33:55:18

Unknown

And you can add or subtract, information throughout those packages. So here's an example of, a daily report. Brock actually provides three, they have a morning report. They have a, report and then report or mid-day report that comes out about 11:00 mountain time. And then they have, a closing report that usually I get 330 to 4:00.

00:33:55:20 - 00:34:29:14

Unknown

And so, again, it, you know, in this case, this was an example of the one this morning. At that point, they had no new recommendations in terms of, of, any kind of marketing, planning or marketing. Opportunity that you might take and it goes through each one of the, commodities that they cover corn, soybeans, wheat, grain, sorghum, cotton, then, feeder cattle, fed cattle, and lean hogs.

00:34:29:15 - 00:35:11:16

Unknown

And so they'll go through each one of those commodities, kind of let you know what's going on, what prices are doing and why they think they're doing those. In addition, they also offer some macroeconomic information. What's the stock market doing? What's the value of the dollar doing? They typically will not mention what, crude oil is doing, because certainly the crude oil prices affect, a lot of our commodity prices usually there's some brief information about what's happening, whether here in the U.S. and then right now, they're very interested in weather in Brazil because of trying to get a soybean crop off and trying to plant, the second corn crop.

00:35:11:18 - 00:35:50:17

Unknown

And so, that's the type of information that you get. And again, with the services, it's three times a day. Cattle fax does the same thing. They have, typically at least to an opening bell. And then kind of a market recap once the, futures markets close. So again, same kind of information, but more again, specific to cattle, what's happening with the cattle market if there are any weather issues that are affecting the cattle market, what's happening in the the general, economy that, again, may have an effect on cattle markets.

00:35:50:19 - 00:36:31:08

Unknown

Here's an example of an advice alert. This actually came through, I think about, 1130 this morning. And so it's, it's telling you that, if you are and this is a recommendation for, a cattle producer, actually a cattle feeder, that's, that's, you know, putting on a lot of, of hedges, taking those on and off and, and trying to, not only, you know, market cash at their best advantage, but trying to, to pick up, some profits through, futures and options trading.

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So in this case, they're telling you to buy, a contract, because they think there's going to be an opportunity for you to sell it back later at a higher price. So this is an example of where they think this live. Cattle futures is going to to be going up. And they're recommending that you, buy those futures at 25% of your anticipated second quarter marketing's.

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And if you have any short positions, get out of those because we think the market is making a return. And so, again, a, example of, what a, marketing advice would look like. And again, some services provide this. It may be an add on or it could be, something that they do in general. And then finally, what I wanted to talk about were these managed marketing programs.

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And, this is actually a situation where, one of these, market advising firms offer, a program where they actually take over the task of marketing, they're going to, you know, you take a certain amount of your production and you contract for them to market that, that production, you could either do it on, pre harvest marketing sales, again, a percentage of the crops that you've got covered, with insurance.

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And again, we could do that with cattle again. Also or it could be a situation. You wait until for a course or a grain situation, you've got that corn in the barn or that grain in the barn, and they're they're going to develop an old crop marketing plan and market that grain that's in storage for you.

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Typically, what they're doing in most cases is a combination of, helping your are using futures and options to capture higher prices, entering and exiting those positions, adding that to, your portfolio and then, in many cases, they'll also you can give them, information on a certain number of local cash markets, and they will track those local cash markets, and they'll make recommendations when you should make a cash sell or a for contract sell.

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And so they can be pretty detailed. The program that Brock offers, they call it a total marketing program. And, the only two commodities that, they will, are actually managed marketing at this point are corn and soybeans. And they have a flat rate, for every bushel of corn that you enroll in the plan, the fee is \$0.08.

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For every bushel of soybeans, it's \$0.11 a bushel. And again, you can, you know, you can put in as many bushels as it should, like cattle facts. Do something a little differently. They have, three levels of membership. They have their select level, which is just basically information. Then you get the choice level, which will cost 600 a year.

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In addition to information, they add marketing alerts and they'll actually provide, some consulting to help you develop a marketing plan for cattle. They have another level, which is their select membership. And in that select membership, they don't list, the actual cost of that. You know, it's, it's a negotiated cost, but, I believe at that level, it's more like a total marketing program where you say, I've got so many cattle that I want to market in each quarter of the year, and, for a fee, they will actually, do the hedging and utilize the options on your behalf and probably give you some information about when's the best time

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to sell in your local cash market. So again, I bring this up because even though hopefully, we've given you the tools to do your own marketing, certainly, cash marketing tools associated with our futures and options. For some people, the managed marketing approach might be a better approach. And again, you wouldn't have to do it all, all your production.

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But for some people, it might work better for a portion of the production. So before we move on, questions about, again, these this market, market advising services and certainly the idea of being with as complex and volatile as these markets are at least having a service where you get some information, can be very helpful and certainly I've, I've kind of lean toward those commercial services that you pay a fee, realizing there's a lot of free services out there.

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You know, a lot of extension sites offer marketing information. And, so it's not something you necessarily have to pay for questions before we go on.

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Okay. Let's get into developing a marketing plan. And this is kind of the capstone. This is, what everything is led up to is, you know, once you've started that toolbox, you've put tools in it, you know, how to select which tool for, for the, a certain situation that the markets might offer. How do we put all this together and actually put together, a marketing plan.

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So tonight we're going to talk about, seven different I wouldn't say they're necessarily steps, but they're components of a good marketing plan. I have kind of listed them in a linear, linear fashion. So you could say, well, I probably need to do, develop financial goals and situations before I go on, but I think more of a component situation than, a step by step approach.

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So one of the main things I want to impress upon you is that, regardless of how you develop a marketing plan, how sophisticated it is, they really have to be written. They need to be written. And in addition to being written, they need to be shared with someone. I think I've mentioned, our own situation with our own firm.

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I, I've developed, develop marketing plans for the farm, for 20 years. But it wasn't until, 2017, actually 2018, when my wife and daughter in law actually went through a marketing class, much like you've done the last eight weeks that I started sharing them with them. And actually, more of a formal plan even with my son.

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And so that need to be written and then they need to be shared. And what we're trying to do is, is, help you avoid the greed ho fear school of marketing. Greed sets in when the marketing is going up and we think there's no top, it's just going to keep going. Then we didn't do anything. And so the market starts to fall, as they always will when we're hoping that the market will turn around so that we can lock in a profit.

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And typically the hope phase then evolves into the fear. And that's when the markets are just head down. And we're hopeful that we're that they find a bottom and then that hopefully they'll start going back up and we can get into hopefully, a situation that's going to offer a profit. So one of the ways to avoid this greed, hope, fear cycle of marketing is to develop market plans, written plans and then share them with someone else.

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So the first thing that we need to look at in developing a marketing plan, because it has a real bearing on how aggressive we get, how many risk we're willing to take when it takes, and when we talk about developing a plan, it's really having a good handle on your financial situation, goals. One of the things that that I recommend every year is that you review the financial health of your operation, and I like to think of it as a, a checkup, a financial health checkup, if you're farmer ranch business and, if you, are in a situation, like many farmers and ranchers are, where you, have to make use

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of an operating loan, you're probably putting together the paperwork to do this anyway. At a minimum, most, banks, ag lenders that you might get an operating loan from are going to require a balance sheet. Most will require a balance sheet, a cash flow statement and an income statement. And so, those financial statements can be very, very helpful in determining the financial health of your operation.

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We actually have some Excel based templates that you can use to develop a balance sheet, a cash flow net income statement. If you're interested in those, let me know. And I'd be happy to get those to you or show you where they are on our website. One other tool we have is a trend analysis tool, and I really like this.

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It's a tool that we use, for our farm and basically allows you to put information for your balance sheet or your financial statement, your net worth statement for a period of five years, and then also print information from your income statement and then what this spreadsheet will do is it calculates your, financial ratios, which is a good way to take a look at the financial health of your business.

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You know, when you go in to get a health check up at your physician's office, they're going to check your blood pressure. They're going to check your temperature. They're going to check your your breathing and your heart rate. And they're going to apply those to a set of benchmarks, what your normal temperature should be for a person your age, normal heart rate, normal blood pressure.

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We do the same thing when we look at financial ratios for an ag business, and we know that there are certain benchmarks that most farmers and ranchers should be at if they're a healthy operation, if they're financially healthy. And so, again, I would, recommend that you review the financial health of your operation on an annual basis. And we've got some tools that help you do that.

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Next is to determine the amount of risk your operation can bear. If you are a young producer and you're heavily leveraged, maybe you're making payments on equipment or payments on cattle. Our land payments, typically, you're in a situation where you can't, take a lot of risk. And so you need to do as many things as you can to mitigate risk.

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And, you can't, in many cases, afford to, miss out on a marketing operate, opportunity in the hopes that the market's going to go higher. If you get an opportunity to market above your cost of production, you probably need to lock some things in. Certainly personal goals and objectives. If you are in an operation that's growing and and you're wanting to to add on to it, you may you may be taking more risk and you need to make sure that you market at the best advantage you can.

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Maybe you, are pretty well established. You've, you know, you're not make your land is paid for. Maybe the equipment is paid for. And so maybe you can, take on a little bit more risk. And if you're not trying to grow the operation, maybe profitability isn't quite as important. Personal acceptance or risk of risk or avoidance.

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Some people are very risk averse. They want to be. Take the safe bet. Other people love a risk, and and the risk is accelerate accelerating for them. And so that's kind of a personal choice. Risk management required by your lender. Again, I mentioned that, many people in agriculture, are required to make use of an operating note, an annual operating line.

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And, in that case, lender may requires that you, either take on, certain amount of crop insurance. And certainly the bank is a co insured. In some cases, they may be requiring you to look at, some marketing tools. Or maybe it's, it's a four contract. Or they may say, you know, we'd like for you to, to, you know, be able to, take some price risk out of a certain portion of your commodity.

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And so they may be a factor in this idea of kind of your financial situation and goals. Production plans. And again, as with, looking at the financial health of your business, typically we do that around the, the first of the year, or when your operating note is renewed, which in many cases is around that December, January, February time period, typically with putting together, a cash flow, for example, you're probably going to develop some sort of a production plan because that cash flow is going to be heavily determined by, what enterprises that you're, looking at, what commodities you're going to produce that year.

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And so, you've probably put together a production plan now for a lot of people, that may be one that you keep here rather than a written plan. Some lenders are requiring written production plans and again, I'm kind of a proxy for a production plan. It's going to be your cash flow, because, again, it's going to show what, crops you're planning and

livestock and the numbers you're planning to produce, placed in that we can calculate cost production and break evens.

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Again, we've mentioned that cost of production being so very, very important in developing in a marketing plan. And so this is the place to do it. Is that production, production plan, sensitivity analysis. I showed you an example of those with that crop budget. It really gives you an idea again, how will changes in yield prices affect outcome.

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And so if there is, a pretty good chance that that prices are going to be lower than what maybe that we've, we've plugged into that cash flow. What does that do to us? What does that do to the bottom line. And again I mentioned we've got the crop and livestock budgets on our website to help out with that.

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I didn't show you that, livestock budget. We have several of those those we approach a little differently in that, we have some average prices, but these really rely on you knowing what your production costs are and putting them into the budgets and then producing a break even price. And then on our cattle budgets, in addition to a breakeven price and sensitivity analysis, that sensitivity analysis looks for it at various, percent weaning weight in various, weaning percentages.

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And, it not only looks at the the break even price need on a per hundred weight for the calves, but also we'll give you an annual cow cost. And so that's pretty helpful. So again we've got some tools on that website that should help you out as you, go through that process. We've talked about this before.

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You've got to have an idea of what markets you're going to do, what we think prices are going to do, and why, if we don't have this, it's impossible to set pricing triggers. And so, certainly outlook information, you know, and again, the two that we've provided for you, Brock Associates cattle facts, others that are out there, again, they'll see some price patterns are really, really important.

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That'll help you when you develop again, the price triggers in terms of when are we going to look to pre harvest price, a commodity. What do we think the market will act or do this year based on rules supply and demand. Influences of political processes domestic and international. One of the things that's happened in the wheat market, because of Covid and countries being concerned with disruptions and shipping and disruptions

and, market channels, some countries I know, Russia had one in effect for a while.

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I think the Ukraine has maybe they've they both lifted them. But sometimes in order to slow down the export market, they'll either impose an export duty tax that's paid, by the, the company that export. So it's that that internal company or that domestic company has to pay more to get commodity out of the country. Or they'll simply just reduce the number of export permits that they're willing to, get out there.

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So certainly when they do that, that's holding supply back from the, the international market. And that can improve prices and other, countries and then technical trends. What's happening with more likely in the short run. And we typically look to charts to give us an idea, you know, what direction the market is going, what are levels of support, what are levels of resistance.

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So we kind of get an idea what that trading range the markets are. Against some relevant U.S factors, market factors, U.S and world ending stocks, we've given you a couple examples of that monthly watch the report that does a great job of taking a look at that, production, consumption, exports that comes off those balance sheets, growing conditions in the U.S and world.

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We've seen some real softening in both the corn market and certainly the, hard red winter wheat market the last couple of weeks. And that's due to favorable moisture kind of throughout the Corn Belt and, the Great Plains area. So, where we had been so very, very dry, people were concerned about the effect of the dry weather on, the wheat crop that's currently in the ground, the corn crops that we planting, for the most part in the next couple of months, that's changed a little bit.

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We got pretty timely, substantial moisture. And that's put some pressure on those markets, trade changes and trade policies, economic or currency fluctuations. One of the reasons that a lot of the market advising services, look at the value of the dollar is when the dollar becomes more expensive, our imports become more expensive. If China wants to buy corn here, the first thing they have to do is buy us dollars.

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And then they take those U.S. dollars and buy corn. So if if the dollar, is, going up in comparison to their currency, it's more expensive for them to, import, our commodities. The other thing, it's important, it's a

marketing plan. It's got to be really dynamic because as we know, market, markets change. And so we've got to be comfortable with going in and adjusting primarily those trigger prices, because markets are going to change and we need to make those changes.

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I would mention that, Steve Coons will be with us tomorrow night, discussing cattle markets. And I'll send you a link to that. And you're certainly welcome to, be a part of that. I will record it as well. And you'll get a copy of, the recorded link. So the other thing we need to look at are ways to, mitigate production risk.

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This is something that farmers and ranchers have done, been doing from the, the dawning of time, some common management practices that we use. Certainly, if, if you have irrigated production, that's the way we manage against shortfalls and rainfall, a diversification of either crops or livestock. In order to, hopefully have a situation where if one, enterprise fails because of weather issues, the other one might be more resilient.

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Or in a situation from a marketing standpoint, if the market price of one commodity is is depressed, hopefully you've got another commodity in your diversified mix where the market's doing better. Dispersion of land holdings. That's, kind of a, an old management practice that a lot of dry land producers use. And that simply means rather than having, all of the land, new farm, adjacent parcels that you have, parcels spread out through a larger geographic area.

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And that's a pretty good mitigation practice for hail. Typically we won't have how a wide geographic area that's that's plagued with hail. Typically, they're pretty localized. And so if you've got, different land holdings that are, spaced, you know, miles apart, you may have one that's held out, but hopefully, one somewhere else, escapes that.

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We've talked about crop insurance. Basically crop insurance is, looks at two things yield risk and price risk. If we do revenue product, that looks at both yield and price. And again, we've talked about how we interact those with other pricing tools using, bushel guaranteed with revenue protection insurance, for example, to determine what portion of our crop, we can pre harvest, market.

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Price risk tools. Again that's looking into that toolbox. And we've certainly talked about four contracts in this program hedging with

futures and options and price contracts, basis contracts. We've really not talked about cooperative pools. Specifically in this class, but, you know, an example of, of cooperative pools. Most all of the milk that's marketed in the U.S is marketed through a cooperative pool.

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And most of the, the, sugar beets are marketed through cooperative pools. And so that's just a situation where all of the, product is, is brought together at a, in a central marketing. It could be, a, delivery point or it could be a marketing group. And in many cases, we take those that commodity, it's marketed, and then everyone in the pool gets the average price that that, that marketing cooperative put together, harvest cash sales.

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We've talked about, cash sales. And then certainly utilizing, storage is another price risk tool. I think the point at the very bottom is, is really the key point here. It's not an alternative if you know how to use it. And so in addition to, you know, simply having the tool in your toolbox, again, you really know how to have you know how to use it and need to be very comfortable, with utilizing the tool.

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Price and date objectives. Again, at this point, we're taking information from all of the, the other sections, and we're kind of putting it together. This is where we start to pull the information together. Identifying price and date triggers. By what date would you like to have some pre harvest sales made? In a lot of cases that deals with the seasonality of the crop.

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And as I mentioned, this is kind of an unusual year, using corn as an example. Typically we don't even start looking for opportunities to make pre harvest sales, until, you know, the earliest we've, we've marketed before prior to this year, it's been March. You know, we had some opportunities in March. Some triggers were or we were at a trigger point and we pulled the trigger.

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Typically, we normally don't do much pre harvest marketing on corn. Until May when corn is being planted. We'll see some opportunities at that point. And the bulk of those again based on seasonality are going to be June and July. This year was really different. We actually pre harvest price of corn as early as November.

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And so we've got about 30% of our expected production in 2021 already pre harvest price. And I guess the 20 some other years I've been put together

corn marketing plans. That is the earliest we've ever pre harvest marketed. But again we just with the basically the Chinese coming in the market and buying all of the old crop corn that they have and a lot of new crop corn.

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Those prices just, went up tremendously in a pretty short period of time. And we had a trigger that was hit. So we, price trigger, date trigger hadn't hit because we didn't think it was going to hit when we developed the marketing plan, until April. And so it did the the price hit. So we marketed some corn, as you recall, last week when we looked at a pre harvest market price, our plan and we looked at that plan that had us that had put together and then took a look at, execution.

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We noticed that a lot of the corn had been sold based on his plan. All of the pre harvest soybeans had been sold. And, a pretty good percentage of spring wheat had been had been sold. And so I think a lot of producers who developed marketing plans in that December, January timeframe, if probably already pre harvest, sold, a substantial amount of their expected 21 production.

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Strategies, as it lists here, this is probably a more most difficult situation. Again, we're putting everything together. Usually we need to have a plan for both rising and falling prices. In most cases developing that plan in December or January, we're going to start off with a plan to market as prices rise, because that's typically what we're going to see based on price, seasonality.

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However, it's not a bad idea to have a kind of the contingency plan. What if prices go down? And so, can't I, try to develop a plan hopefully that still produces a profit or a market off marketing opportunity above the cost of production? There have been years. Where is you've got to kind of change your thinking and the thinking goes from a profit to minimizing loss.

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And so again, that talks to the flexibility needed in a, a marketing plan. A very, very common strategy is to scale up strategy. And, and it's very simple this term it would be marketing crop in 10% increments as prices rise. And if you looked at the plans from last year, our last week, they were kind of built on this scale up approach.

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And that's 10% of the amount of crops that you've got covered through, some sort of a crop insurance program or a commodity insurance program.

But again, typically looking at what price would trigger a first sale, a lot of times, that first sale might be cost of production plus a certain percentage, and then we'll scale up from that.

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The idea being we want to be able to at least cover cost of production. Every marketing opportunity. Another way that that people might look at that is what would be an average price I want to get for the year. And maybe that average price is cost production plus so many cents a bushel. And so if I want to maintain that average price, then what would that those trigger points be in order to be an average price that that's acceptable to me.

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Again, price only the insured production. That's typically the way we go. And then when we accelerate or delay sales based on, what's happening with the market and especially outlook. And I would guess that there's a lot of people that are actually delaying sales. And they may have delays themselves, up to this point, thinking that there is more upside potential for the market as we move into planning time.

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And so the fact that we looked at that soybean marketing plan, and if you were to execute it exactly as it was written, you would have pre harvest price all of your soybeans already, I guess, as people are going back through those and maybe have modified and delayed some sales thinking there's there's some upside potential of that soybean market and they want to collect or be in a position to capture some of that upside.

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If the other thing that I think could really happen is we might see an acceleration of sales based on, market outlook, one of the real wild cards in the especially corn and soybean, market right now is that planting intentions report that's going to come out Wednesday. That's going to be a real market mover.

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And in fact, corn and soybean markets have been kind of trading sideways, at this point for a few days just in anticipation of not exactly knowing what's going to happen. And so, the number of acres that, that we end up with on corn and soybeans, based on how they compete for acreage is really going to change the dynamics in that corn and soybean market, going forward.

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So, if we end up, going for, you know, 92 to 93 million acres of corn, if that see, the anticipated plantings, I could see the corn market, start

taking some, some bearish tone and taking a hit. But that would probably need that. We've, that we've pegged the soybeans at less than 90 million.

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In that case, the soybean market could, be pretty strong. So that's going to be a real market mover. And, normally this close to that report, you know, we're just a couple of days out, there's a little more clear idea of where we're headed with that this year. It's just not the case. People are all over the board in terms of what they think that market or that report is going to do.

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And so, it'll just be remain to be seen when we get the report on Wednesday, how that drives the market.

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Again, what happens? The prices decline below your cost of production and you haven't price crop yet. That goes into the strategy. If you think prices will go higher, do you need downside protection? Again, that's a question. The point here is you do need to have a plan. And the old saying, and this one attributed to Benjamin Franklin, a lot of people have said this and in a lot of different ways.

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But, if you, you know, fail to plan, you're planning to fail. So, market plans are all about, that written plan, making some decisions and, and acting out on those decisions. And then finally, you need to evaluate a plan. And we try to do this right after corn harvest. Pull that plan out, take a look at it.

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What worked? What didn't work? Why? Typically, one of the things we look at in terms of, what worked and what didn't work is to look at, you know, what the market did, what you know, we can look back in hindsight and say, well, we can look at the December corn chart, for example. And, you know, in November that that that contract is still actively trading so we can look at it and say, well, where was the high, where were the lows?

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And, maybe where did we hit in that? You know, that spectrum where we the lower third or the middle third, where we the upper third and, trying to be at least middle third and hopefully try to be more, more years. So not in the upper third. So what was the, you know, the upper third of that market.

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Where were those prices and, and how did that compare with our average, the average prices we received. And so it was a timing issue. Was it a tool issue. You, we maybe, knew what knew when we needed to do something, but we could have used a better, a better tool that would have, got us to where we wanted to be.

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So again, what worked, what didn't and why? In both cases. And so then, once we've determined that, what are the things we need to look at, do we need to know more about marketing alternatives? Do we need to add some tools to that toolbox? Maybe we identify one that would have worked a lot better that we don't use because we're not comfortable with it.

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So how do we become more comfortable? It's a good time to, evaluate your sources of market information. Maybe I'm not utilizing the the best advice service. Maybe we ought to look for other, places to get information. And so what are those sources we have? And for some people, it might be you know, you do need to hire a marketing information service, or it may be a market managed market service.

01:11:11:06 - 01:11:36:01

Unknown

I need someone that could watch the markets and can, make decisions based on a general plan that that I've, talked to them about. We've consulted about we kind of have an idea of what we want to do, but to have someone that, has the time to watch the markets, analyze the markets, and will pull the trigger and make decisions that are difficult for me to make.

01:11:36:03 - 01:12:15:00

Unknown

So that is a I get a pretty important part of, of, how things would work out. So I want to back up now a little bit, and I want to talk about each one of these in terms of moving forward. Again, the idea being that in a perfect world, and, you know, next year for the 2022 crop, this is something you really ought to start doing in, December, developing the plan for 2022.

01:12:15:02 - 01:12:40:01

Unknown

So, maybe you don't have a marketing plan. And so we'd like to initiate a plan, moving forward. And so if we go through each one of these and talk about how we could use, utilize this information now to develop a plan, now that we could use to market our 2021 crop, realizing it, if it's cattle, those calves maybe, are be in the process of being born.

01:12:40:01 - 01:13:02:14

Unknown

Or maybe you've just finished calving. If we're talking winter wheat, you've got to crop in the ground. If we're talking corn, you're going to plant it here in the next six weeks or so. And so, if we wanted to make a

retroactive or a, a marketing plan that, started today for 2021, how would we do it?

01:13:02:16 - 01:13:32:13

Unknown

So if we look at each one of the, the steps or, again, the information we're going to pull together, hopefully you have this information. You've put together financial statements, you've gone through that loan renewal situation with your lender. You have kind of an idea of where you stand. What's the health of your of your business? You know, do we have enough cash reserves and do we have a low debt load?

01:13:32:13 - 01:13:49:00

Unknown

And we can can, you know, take a little bit more risk in marketing or, you know, have we done like a lot of people and we've eaten up a lot of our cash reserves and we really need to do a good job marketing this year. And it appears the market is going to offer some opportunities. We need to have a good year.

01:13:49:00 - 01:14:11:22

Unknown

We need to have a good year from a production standpoint, and we need to have a good marketing year. And so if that's the case where, you know, it might put more emphasis on really trying to develop a marketing plan going forward. Production plans. Again, those are taken care of at this point. You know exactly what you're going to plant.

01:14:11:22 - 01:14:39:12

Unknown

You know how many calves you're probably going to, market. A lot of those questions are taken care of. Again, you've developed, cost of production. It may be just through a cash flow statement, but you can go through that cash flow and pick out the costs that are associated with, various enterprises. And you should be able to come up with cost of production, or hopefully if you've got a really good set of records, you've got that start data.

01:14:39:14 - 01:14:58:18

Unknown

And so you should have cost of production. Again, we've given you some tools on the ABM website to help you out with that market outlook and expectations. Again, great information. Go back to the session with Steve Coats. He did a good job of giving you an idea what we think Wheat's going to do, what we think corn is going to do.

01:14:58:20 - 01:15:30:04

Unknown

And so you kind of have that trading range, the corn market. Look at his balance sheet after the planting intentions report on Wednesday. At that point, you know, the two big factors that he was looking at were planted acres and, the average, U.S. yield, average corn yield, obviously, we don't know, a cornfield. And we won't know that for quite some time, but

you're going to get a pretty good idea of where we stand when you look at those production numbers.

01:15:30:04 - 01:15:54:04

Unknown

So if you look at planted acreage, you know, it's lower acreage for the high price kind of in the mid range for, you know, kind of that mid price. And, and if we're looking at a low price scenario, we planted a lot of corn. So you should be able to, come up with kind of an idea of what's going on with those grains, wheat and corn, based on the information Steve provided.

01:15:54:06 - 01:16:23:16

Unknown

Now, tomorrow night, he's going to do the same thing with cattle. But he does a little differently than he does with, corn and wheat and then, crops with cattle. He's going to give you, what he thinks the price range will be by class of cattle, weight of cattle, and by the quarters of the year. And so if you're marketing your five, six wheat calves in the third quarter, this is kind of what we think that price range is going to be.

01:16:23:18 - 01:16:40:14

Unknown

So, you've got some pretty good, market outlook with what we've covered in this class that you should be able to take a look at and get an idea of what we think, where we think those markets are going to trade.

01:16:40:16 - 01:17:07:06

Unknown

Production risk tools okay. If we look at, revenue protection or even yield protection for crops, the sell state, closing date was March 15th, so you should have that locked in. So you take your AP, you multiply that by your percent of coverage, and you've got the total number of bushels that you could pre harvest price up to that number and be covered by your insurance.

01:17:07:08 - 01:17:49:15

Unknown

If we're looking at livestock, you may want to look at that livestock risk protection policy and as a way to maybe lock in some prices. So that could be something you could look at moving forward. But again, we should have that crop insurance part of the equation. Taking care of, price risk tools. If you do nothing else, if you're not comfortable with hedging enough to go out and and take the leap of faith and, and, get a brokerage account established and, and, you know, go through that paperwork and all that process, at least look at for contracts.

01:17:49:17 - 01:18:17:24

Unknown

You know, again, on the grain side especially, they're available. They're out there now, typically, every, grain merchandizer is going to offer a very simple forward contract, which basically sets the price for delivery at harvest. And if you did nothing else, you could use four contracts to

pre harvest price, you know, up to your, insurance guarantee and, that would be pretty straightforward.

01:18:17:24 - 01:18:52:21

Unknown

It'd be very simple. And the market is offering some opportunities that should be above your cost to production. Even if you look at those opportunities now, again, remember when we evaluated those for contracting opportunities? We'd like to pull, basis information and compare the basis part of that, that for contract was what we expect basis to be, when you, cash market or when you would normally cash market and to see if that's in line.

01:18:52:23 - 01:19:24:01

Unknown

But again, the simplest, easiest thing you could do right now would be to look at for contracting opportunities in your local community. Remember, it was the Ford contract. It specifies when and where you're going to deliver. So that's why it's important that it's a local area and it's somewhere where you're comfortable, transporting, your commodity to that particular area or that particular, elevator or market channel to, to market it, curves.

01:19:24:03 - 01:19:54:11

Unknown

Look at opportunities market in the summer months, maybe it's a video market. And again, you could still use that livestock risk coverage as part of your marketing plan with the video market. But again, it at a bare minimum, at least look at doing some forward contracting, with the percentage of your commodity that you've got, guaranteed through your insurance at this point.

01:19:54:13 - 01:20:29:08

Unknown

One other thing I would I would recommend you take a look at this is let's look in at, maybe a percentage of the crop we, we want to have marketed at this point. And then based on what we think prices are going to do, let's develop some triggers and kind of look at that based on seasonality. Again, if I were looking at corn, what I might be looking at are their opportunities and what I may what might I look at developing some price dates, around planting time, maybe that, end of May, April through the month of May.

01:20:29:13 - 01:20:56:00

Unknown

That might be a place I might look for some plant for marketing opportunities, because sometimes we'll see, a market run up if we have issues, especially in the corn belt, to get the crop planted to wet, to dry to cold. That's an opportunity. The next big opportunity, again, based on seasonality, tends to be, as we said many times tonight, June-July.

01:20:56:00 - 01:21:19:05

Unknown

And that really corresponds with the pollination in the corn Belt. So if it's hot dry and we're having issues with pollination, we could see corn prices go up. If it's nice and wet and really favorable conditions, then that typically means we're going to have a pretty favorable crop. And maybe we don't see the level of the high that we normally do.

01:21:19:07 - 01:21:45:22

Unknown

So certainly with corn, that would be a couple of trigger points or trigger date. You may want to look at. I'm going to switch here for just a second, because I want to talk a little bit about some recommendations for where you might want to be at this point in terms of what, the amount of crop you may have sold.

01:21:45:24 - 01:22:04:06

Unknown

And so at this point, hopefully what you see is the last page of that last block report. So if that's what's, visible, if somebody will give me a thumbs up just so I know where we need to be. Great. Okay. Super.

01:22:04:08 - 01:22:40:04

Unknown

So do you have a copy of this? I just sent it out today. I'm a little late on that, and I apologize, but if you look at the bat last page of every one of the Brock reports, they have what they call a position monitor, and they take a look at all of the commodities that they track. And in addition to the commodities, for those people who are buying feed as a way to, minimize, take the risk out of prices, going up with that feed, they give you ideas of where you may want to be in terms of, percentage of your crop market.

01:22:40:07 - 01:23:00:10

Unknown

Let's let's look at corn and wheat as an example. So we take a look at the corn. They've got the old crop which is 2021 new crop that we're going to plant again in the next six weeks, 2122. And they go out to the preview or the very next year, the 22 crop year. And so they, breaks this down.

01:23:00:10 - 01:23:25:10

Unknown

They use a little different terminology than we used earlier. We talked about strictly cash. Hedgers. Cash in their vernacular would be the same as a, conservative, hedger and then hedgers futures and options would be someone that's going in and out of the market, both going long and short and again, trying to maximize returns on, those futures positions.

01:23:25:12 - 01:24:03:19

Unknown

And so at this point, if we wanted to be just strictly cash, again, you're not ready to to set up that brokerage account, to, to, you know, get into the futures and options you want to utilize, any kind of marketing tool that you're comfortable with, other than futures and options for contracts being the simplest, least expensive way you can do

it, their recommendation by this time is that you're sold at about a rate of 30% of your production this year, and the idea being that the market has offered an opportunity for you to, lock in a profit.

01:24:03:21 - 01:24:24:06

Unknown

And so 30% of your production, they're recommending that you've got locked in. Now, one of the things that most of these services will talk about is if you're not at that recommended level, think about doing catch up sales. What would you have to do? How many bushels would you have to pre harvest price to get to 30%.

01:24:24:08 - 01:24:48:04

Unknown

So something for you to consider at this point. If we're looking at wheat, they're kind of the same area that for contracts about 30% of your production for this year, if we go down to livestock, look at feeder cattle. At this point, they're not recommending that, you have any of your, production currently priced?

01:24:48:06 - 01:25:22:11

Unknown

The blue indicates that they made a change here. So they're, probably getting have gone out of some positions in the the, feeder cattle futures. But again, this would be something you could do. You know, the next few days. Just take a look at what are those, those opportunities locally to, for contract. Some of your, your, production for 21 and 22 and, and think about maybe having, you know, upwards of 30%, locked in at this point.

01:25:22:13 - 01:25:42:12

Unknown

Oh. Okay. I'm going to stop that. Let's go back to. PowerPoint.

01:25:42:14 - 01:26:16:11

Unknown

And again, just, thumbs up if for back to the PowerPoint, please. Okay. Great. Thank you. So again, kind of giving you some ideas what might be some appropriate price and date objectives. Moving forward. The strategy section, at this point, pretty basic. Can you get to 30% of the crop pre harvest priced. And then you know, what are those opportunities looking forward based on seasonality.

01:26:16:11 - 01:26:53:07

Unknown

That might give you another opportunity to to to look at pricing the crop once we get through the planting intentions report, go back and look at those balance sheets that, that Steve provided. You see what those planning a planted acres do to his price forecast. And hopefully that'll give you some, some price trigger information.

01:26:53:09 - 01:27:20:17

Unknown

So any questions there. And again one other thing I would recommend is, this marketing plan that you're kind of putting together on the fly. It needs to be written, write it down somewhere. Share it with someone in your operation. You've got to be able to monitor it. If you've, you know, you've plugged in some, some pricing points, some date points, it's got to be written so you can monitor it to know when you might want to pull the trigger.

01:27:20:19 - 01:28:15:13

Unknown

But again, at a bare minimum, I would highly recommend that you at least for contract a portion of your crop. Because it just tends to work year in and year out. I want to stop there. We've got, a little bit of time left tonight. I do want to give you an opportunity to ask questions. You know, obviously the the marketing plan in general and the specifically moving forward, you know, what might be some things you might want to look at in order to, pre harvest price a portion of your commodities, yet this year.

01:28:15:15 - 01:28:36:06

Unknown

Maybe a, show of thumbs up here. How many of you are thinking you might look pretty seriously at at least utilizing some for contracts going forward? That's for the, 20, 21 year.

01:28:36:08 - 01:29:05:00

Unknown

Okay. We've got a few of you out there, so that's good. What are some barriers? What what would be, And again, if you want to put these in chat or there's just a few of us, if you want to unmute your mic, at this point, what are some barriers you might have to doing that? What would what are some things that that would keep you from, thinking about, developing a plan for, for marketing your 21 crops at this hour.

01:29:05:00 - 01:29:16:18

Unknown

Commodities at this point.

01:29:16:20 - 01:29:33:04

Unknown

What scares you the most about doing it?

01:29:33:06 - 01:30:00:23

Unknown

Yes. A lot of it would be trying something new. And then, fear of missing out, I guess on going away from cash prices, you know. Sure. And I appreciate you saying that. Because that's a real common, a common, concern I have is, you know what? If I pull the trigger too early and prices go up, and I guess the rebuttal I have for that is what would make you feel worse.

01:30:01:00 - 01:30:09:10

Unknown

An opportunity which I think the market's providing right now to sell a portion of your commodity at a profit.

01:30:09:12 - 01:30:35:23

Unknown

And doing that and then looking back and say, well, I could have got a few more since if I had waited or done something a little differently or not doing anything selling at harvest at a price below cost of production of the two, what would make you feel worse? And I think most of us would say missing out on any opportunity and selling below cost to production.

01:30:36:00 - 01:31:06:16

Unknown

And that's a very real, scenario. If you don't do some pre harvest, pricing that, you know, we could have a bumper crop, we can have, issues with demand. I mean, maybe we have another lock down and beef prices go through the, the, the basement. And you ended up getting taken what you could get at harvest and or when you were in the calves and it was below cost of production.

01:31:06:18 - 01:31:33:18

Unknown

And personally, in my mind, I would rather know that I marketed a portion of the crop at a profit. Maybe I missed out on a few cents a bushel that somebody else got good for them, rather than not doing anything and end up which, you know, the chances of this happening or are more likely year in and year out that I would market below cost of production, because I had to market at harvest.

01:31:33:18 - 01:32:06:15

Unknown

I didn't have a choice. And so, I think that's the thing that you've got to, to balance. Certainly this is new to everyone. You've not had a lot of practical experience in it. That's why I recommend taking a baby step. I think a baby step is a forward contract. And again, I think in most communities, on the the grain side, there's an opportunity to lock in some profit, even with just a very, very simple for contract.

01:32:06:17 - 01:32:29:17

Unknown

So that that's again why let's let's take it easy. Let's make it simple. Let's do the easiest thing we can do. In most cases, it's just a matter of, of, you know, calling the elevator. And, usually what we do is, we call and say, if the market gets to a certain point, we want to sell so many contracts.

01:32:29:19 - 01:32:51:19

Unknown

And so I don't even watch the market. I let, the grain merchandizer do that, and we go about, you know, doing our daily thing. And then if the market gets to that point and we fill a contract, we get a phone call or an email message that says contract's been filled. And then within a few days, we get a contract.

01:32:51:21 - 01:33:19:10

Unknown

Usually they're very simple. The ones we usually sign or two page or sign the contract, send a copy back and we're set. And so it's it's not something that requires that you sat on your phone all day waiting for the market. You can give, an order that, you know, if it's I can for contract at four and a quarter, I want to sell two, 5000, bushel contracts and let, the market, the grain merchandizer watch the market for you.

01:33:19:12 - 01:33:49:05

Unknown

And so it's pretty simple from that standpoint in terms of a being able to, to lock it in cattle, obviously a little more difficult. You know, look into, you know, talk to someone that does a video auctions, those of you that were live with the presentation, on livestock risk protection, you know that the gentlemen that put that together for us, Alex provided some information where you could get Ahold of him.

01:33:49:07 - 01:34:18:08

Unknown

And if you want to watch what those offers are doing for that livestock risk protection program, he'll send you those, every business day of the year in an email so you can monitor that. And my guess would be what have been a question for Alex. It may be a situation or you could say, well, when the market hits this point that I would be interested in, you know, locking in 75% of my production.

01:34:18:10 - 01:34:45:04

Unknown

And again, it probably would be the same, same situation where I think they probably would monitor that for you. And if those conditions hit, then they'll, you know, write a policy for you. So that's a again, another thing to consider is, you don't have to sit and watch the market. So there's ways that you can put in, orders even for, for contracts and let somebody else watch those market conditions.

01:34:45:06 - 01:35:13:05

Unknown

Any other barriers or concerns. Why you why you wouldn't look at again, taking a just maybe step and utilization of a for a contract to to at least lock in some of your production given the the opportunity. I think at this point it's you know we're we're above cost of production. I personally we we do a lot of our contracting through the, peach Co-op and I haven't looked at it today.

01:35:13:05 - 01:35:48:02

Unknown

I normally take a look at their, their cash bids and, their, for contracts. So let me look at those right now. So, for example, this looks this looks pretty good. I could lock in a new crop. 2021 contract, a corn at 461 a bushel. And that's zero basis. And so I know that at harvest, basis at this particular, receiving station is about 30 under.

01:35:48:04 - 01:36:18:06

Unknown

And so they're offering me zero basis and even basis. That's pretty good. That puts \$0.30 in my pocket. And so, it's for 61 over my cost of production. You're damn right it is. And so that looks pretty good. If we weren't at 30% sold, we probably would sell. Would sell some. And I really need to go back and look, we're getting close to another trigger now.

01:36:18:06 - 01:36:43:03

Unknown

We've kind of reevaluate, and our thought is, we want to wait till the more normal time of the year or to, The Ford contract, which would be more close to that May timeframe or June. July. What will be interesting is to see what happens to that, offer or that bid after the report comes out on Wednesday.

01:36:43:05 - 01:37:09:01

Unknown

So anyway, I if it would be interesting to see what, you know, take a look at a, a grain merchandizer your area, an elevator and, and go to their website and see what their, for contract offers are today. If they're, below that, that basis level that they typically are, and that's above your cost of production.

01:37:09:03 - 01:37:40:11

Unknown

It might be, something to take a look at. Other thoughts? Other comments. I don't want to give you the hard sell, but boy, this this is a year to really look at this. And and again, just some, just looking at the Ford contracting, which is simplest, easiest to understand, is a way to go, I think at least, for this year, especially so other concerns.

01:37:40:11 - 01:37:45:15

Unknown

What other one of the reasons what keeps you from wanting to do this?

01:37:45:17 - 01:38:15:04

Unknown

On the cattle side, I mean, I look at that just using the video auction as, as a way that I'm comfortable with forward contracting, but, I mean, it's really nice if you look at the December market and you think that looks like it's going on average, be a good time and then you can take some time to talk to, you know, the your rep or whoever it is to put together the right kind of package and you can.

01:38:15:09 - 01:38:42:08

Unknown

And the nice thing with that is that you can same kind of deal. You can set your trigger, if you know above, to what you feel like is a reasonable profit or above your cost to production and if you decide you can no sell those cattle and they haven't left your place. So, you know, you can always just back out if it ends up being, you know, bad timing or something.

01:38:42:08 - 01:39:01:20

Unknown

Usually you don't. But yeah, it's just really nice to have that base. So maybe you do it with 100 caps. You know, you got to load a caps in and you can sell those and, and you know, and then you deliver them in November or whatever the decision was made. And you can just really plan it all out ahead of time.

01:39:01:20 - 01:39:25:05

Unknown

And it gives you a lot of security. Yeah. Very, very good points. I think that's exactly something to take a look at. And again, the whole point behind the the pre harvest marketing that security, especially if the market is offering, you know a price above your cost of production and, and more especially if it's offering a profit level that you're pretty comfortable with.

01:39:25:07 - 01:39:48:08

Unknown

The other thing that that, that we try to do is, once we've, you know, especially with the Ford contract, one of the disadvantages is once you sign the contract, your, you know, you're, you're committed and and you've locked in a price, but you've, you know, you don't have any worry of prices going lower, but obviously you're not going to capture any, prices going up.

01:39:48:08 - 01:40:07:07

Unknown

No, we could do it through a call option. There's ways we can. But typically again, being very basic, we wouldn't do that. And so, we do take the top out. But one of the things that we always try to do is once we've signed a contract, we don't look back. The idea was that was the best decision at the time.

01:40:07:09 - 01:40:34:18

Unknown

It was the best decision based on the information we had. And, we don't we don't Monday morning quarterback at oh, what if we hit a weighted or or we could have done a little bit better. If it was above cost production, it was acceptable. Profit level then we're happy with it. And then hopefully the market's going to give us an opportunity to sell another, certain number of bushels that may be a higher price if it's a market that's increasing.

01:40:34:18 - 01:41:02:10

Unknown

And so, you know, then we get the average of those two sales. And so that's better than what the first sell was. But part of the discipline I think, is you just don't look back. You know, we made a decision. We're happy with the decision. If the market goes up that's fine. But again, as I would rather I would rather miss out on some upside potential than end up not doing anything and selling at harvest at a loss.

01:41:02:11 - 01:41:22:08

Unknown

I mean, that's not a good thing. So, yeah, it gives you a lot of a lot of peace of mind once you've got it in place. I know from our standpoint, what's the for contract? That's so many bushels we don't have to worry about anymore. They're they're set, and we can, that reduces that reduces the worry to some extent.

01:41:22:08 - 01:41:43:07

Unknown

So at this point, we're 30% sold or a third of our crop. Basically. We're not we're not worried about it. We've priced at a level that we're happy with. We've got profit built into it. And we could turn our effort looking at the remaining 70%. So.

01:41:43:09 - 01:41:51:11

Unknown

Other thoughts? Questions?

01:41:51:13 - 01:42:11:04

Unknown

Got a couple of little housekeeping things I want to mention as we, close up the last session. I will, be sending you an email that has a link to all of the sessions, or if you want to go back and review any of them, it'll all be in one email. They'll be in one place. You can, you know, the the links are live.

01:42:11:04 - 01:42:38:14

Unknown

You can just simply click on it and go to any of those you want, because we don't go through the expense of having these closed captioned, which costs about, 2 to \$3 a minute. We are not able to leave these up. They're on a, they're a non searchable site. So, if you, you know, try to do a YouTube search of Monday night marketing, you wouldn't find anything.

01:42:38:16 - 01:43:01:18

Unknown

That's why you're given a specific URL. But, after the, 30th of April, we'll take all of those down. They'll no longer be available. And so, again, if you want to, look at any of those, review any that we give you about a month to do that. And then finally, we would like for you to do a post course evaluation.

01:43:01:20 - 01:43:23:12

Unknown

What I try to do to get everyone to to do this for me is rather than give you the link to this last recording, I'll include it at the end of that post. Course evaluation. Not a long evaluation, probably 3 to 5 minutes and you're finished with it. It is very helpful for me. It does help me improve, this class from year to year.

01:43:23:18 - 01:43:46:09

Unknown

And I do look at those, I'd also say I'm a very thick skinned individual. You're not going to put anything on there that I probably haven't, read in as almost 40 years as, an educator. They're all, also anonymous. So I don't collect any personal data. And so, again, no way that I'll even know.

01:43:46:09 - 01:44:13:08

Unknown

And it's not a graded course, so you don't have to worry about that as well. But I would, appreciate a few minutes and completing that, if you wouldn't mind. And then I just want to close tonight with a huge thank you. I've really enjoyed, being able to bring this, to you. Lots of good questions. Many of you have just been with this, live every session, and I really, really appreciate that.

01:44:13:10 - 01:44:48:22

Unknown

It, makes for a better experience for me with with questions and interactions. So I hope this has been, valuable to you again. Please complete that evaluation. That helps me improve, what I'm doing. So if you could, do that, I would. I would greatly appreciate it. Any last minute questions, comments, anything for the good of the order before we, in this final session.

01:44:48:24 - 01:45:13:10

Unknown

Okay. Seeing none, we are going to, finish then for this evening and, again, thank you very much for, being a part of this. And I look forward to hopefully working with you in the future if you have any questions about anything going forward, you do have my contact information. Please feel free to, to reach out.

01:45:13:10 - 01:45:20:04

Unknown

And, anything I can do to be of help, I'm more than happy to do that. So, have a good evening. And again, thank you.

END TRANSCRIPTION