Comparing Storage to other Marketing Strategies & Tools

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Marketing Considerations

• Develop a Crop Marketing Plan for unpriced grain in storage
• Calculate cost of grain ownership for bushels stored both on-farm as well as commercially
• Consider basis, futures carry, cash flow implications and your appetite for managing risk
• Develop your own historical perspective for storing unpriced corn and soybeans.
Cost of Corn Ownership Example, 2016 Crop
(Cash Price at Mid-Harvest = $3.11/bu., 5% Interest)

On-farm Storage = 1¢ per bu. per month;
Commercial Storage at 16¢ for first 90 days,
then 2.8¢ per bu. per month thereafter.

Interest rate = 5% APR
CCC Interest rate = 1.75% APR

Comparing Storage to other Marketing Tools
(NC Iowa Terminal Elevator 32-year, 16-year vs. 3-year)

On-Farm Storage
(Unpriced)

Commercial Storage
(Unpriced)

Store, Buy July Put Option

Storage Hedge
(Store, Sell July Futures)

Minimum Price Contract
(Sell Cash, Buy July Call Option)

Basis Contract
(Sell Cash, Buy July Futures)

(Net profit/loss per bushel compared to harvest price.)

Source: Knorr, Farm Futures Magazine, September 2017
Expected 2017 Corn Storage Returns
As of October 20, 2017

<table>
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<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
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Commercial Storage: No expected positive return to storage.

Comparing Storage to other Marketing Tools
(NC Iowa Terminal Elevator 32-year, 16-year vs. 3-year)

On-Farm Storage (Unpriced)
Commercial Storage (Unpriced)
Storage Hedge (Store, Sell July Futures)
Store, Buy July Put Option
Minimum Price Contract (Sell Cash, Buy July Call Option)
Basis Contract (Sell Cash, Buy July Futures)

(Net profit/loss per bushel compared to harvest price.)

Source: Knorr, Farm Futures Magazine, September 2017
Expected 2017 Soybean Storage Returns
As of October 20, 2017

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Commercial Storage: No expected positive return to storage.

Key points:

• Calculate your cost of grain ownership; both on-farm and commercially stored bushels.
• Learn to use a variety of marketing strategies & tools.
• Timing of final cash sales is critical so understand implications for futures carry and basis appreciation.
• Develop a Crop Marketing Plan for your stored bushels to increase discipline and overcome emotions.
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