Each year since 2013 both corn and soybean futures prices have peaked somewhere between early April and mid-July. Farmers were able to pre-harvest market a portion of their new crop corn and soybeans during the growing season at prices that proved to be much higher than those at harvest. Those farmers could have delivered priced bushels at or shortly after harvest and avoided additional storage and interest charges and generated necessary cash flow.

Seasonal Futures Price Trends

Most years, corn futures prices tend to rally in the early spring months and peak by late June or early July. This reflects the period of the greatest uncertainty of production for a crop produced primarily in the northern hemisphere. Soybean futures prices move higher in both the late fall and winter months when southern hemisphere production is threatened. Then soybean prices typically rally again in the late spring and early summer months, reflecting uncertainty of production in the northern hemisphere. However, by mid-July, the highest seasonal prices have occurred and futures prices tend to sell off with the confirmation with large northern hemisphere oilseed crops.

So why don’t farmers take advantage of these seasonal trends, reducing storage costs and generating needed cash flow? The likely cause is a combination of both procrastination and the fear of being wrong. Farmers are eternal optimists by nature, so the same optimism for producing a crop carries over in marketing the crop. Guessing the highest futures price is difficult and often ends in missed opportunity.

Setting New Crop Price Objectives

New crop December ’18 corn futures contract high was July 11, 2018, at $4.29 ½ per bushel. Notice the large selloff that occurred. Expect this price level to be the likely upside price objective for the spring and perhaps early summer months until more is known about weather during the critical time of corn pollination.

New crop November ’18 soybean futures put in their high tick at $10.60 per bushel on April 10, 2018, then sold off and rallied about halfway back after mid-May. Expect that $10.60 futures price level to be the upside price objective until more is known about Chinese demand, U.S. planted acres and weather that can impact the crop size in the northern hemisphere.
November ’18 Futures

Source: www.jimwyckoff.com  May 21, 2018

Selling Your Crop Insurance Bushels

Farmers should avoid marketing mistakes of the past by knowing their own cost of production for new crop bushels and establishing a reasonable breakeven price. Consider having both time and price objectives in place going into the spring months. Price objectives should reflect both futures prices when above the projected prices used for crop insurance purposes, basis (cash minus futures) and breakeven costs.

Importance of Written Marketing Plans

The cost of production for growing crops will vary greatly by farm and be highly dependent on the final crop yields. The use of revenue protection crop insurance mitigates a large portion of both the yield and price uncertainty for marketing new crop bushels. Consider using your actual production history (APH) as your best yield estimate prior to pollination and grain fill.

Farmers who typically have a written marketing plan develop a purpose and accountability to market that grain ahead and align their cash flow needs. Storage and interest charges aren’t free and many farms are challenged to find profitable margins. Holding multiple years of corn or soybean crops can lead to the erosion of valuable working capital (current assets minus current liabilities) that can than lead to the need for restructuring debt into an era of higher interest rates.

Using a Variety of Marketing Tools

Farmers should use a variety of marketing tools to spread their risk and attempt to time sales in the spring months to capture futures when prices are high and/or basis when it narrows. These events tend not to occur at the same time. So, using only spot cash and forward cash contracts can have serious limitations. Consider using HTA contract – perhaps January soybeans or March corn futures to reward on-farm storage. The combination of low futures prices and wide basis, especially at harvest, has created the need for more aggressive pre-harvest marketing strategies than was used in the past.

Consider the use of a variety of marketing tools. If delivering bushels, include hedge-to-arrive or forward cash contracts, depending on the basis expected. Should a farmer prefer to manage the futures price risk and not commit bushels to delivery, consider working with a broker and the use of futures hedges and/or the purchase of put options.