UNIVERSITY OF DELAWARE
COOPERATIVE EXTENSION

Steps For Developing a Grain Marketing Plan

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Developing a grain marketing plan can be difficult, especially when grain market prices are constantly changing and go through periods of extreme volatility like what we've seen in the past two years. This fact sheet explains back to basic tips on how to make or improve your grain marketing plan to meet your operations marketing objectives.

Threshing machine pouring harvested wheat into the processor with the wheat field in the background.

Take the total you have to market and break it down into smaller sales units.

Determine your estimated production for the year and break it down into smaller sales units. An easy method to determine your expected production is to use your Actual Production History (APH) which will be discussed in more detail. Some of the most common sales units producers use are in 1,000-5,000 bushel increments or the quantity they know is one tractor trailer load. If pre-harvest marketing, never sell more than you have insured. You do not have to sell any bushels prior to harvest, but often, higher price opportunities will occur. To calculate how many bushels you have insured, multiply the APH by the number of acres of the commodity you plan to plant in each field. This value is your expected production. Next, simply multiply the expected production by the insurance rate. So, for example, you have a 300-acre corn field with an APH of 220 bushels per acre and a 75% insurance rate. The expected production is 66,000 bushels (300 acres x 220 bushels/acre). The insured amount of bushels from this field is 49,500 (66,000 bushels x 0.75 insurance rate). If you were to break down your insured bushels into sales units of 5,000 bushels, you'd have roughly 10 sales units (49,500 insured bushels / 5,000 bushel sales units). In this example, you would have 10 sales units to the pre-harvest market. If post-harvest marketing, you only can sell grain that is unpriced in storage.

Set price points

Determining the average price you want to sell your grain is important. At the very minimum, price targets (both pre-harvest and post-harvest) need to exceed your established cash flow price. Setting realistic expectations in determining your price targets is extremely important. Setting price targets that are too low or too high can have a negative impact on your marketing plan. Let's say for example you determine the average corn price you want to obtain is $5.50 per bushel. You would have to sell five equal quantities of $5.30, $5.40, $5.50, $5.60, and $5.70 to achieve your price target. When you set an average commodity price target, making changes year over year to your marketing plan is easier because you can see how you sold grain in the past and improve your marketing plan moving forward. For pre-harvest price targets, you must ensure the grain price is greater than your cost of production. For post-harvest price targets, you must set them above the price you could have obtained at harvest, plus any additional storage expenses such as bin rental, interest expenses, or insurance on storage.

Set sales deadlines

Grain prices are constantly changing and may become lower or higher than your price target. Some commodity prices have seasonal patterns such as corn prices being highest in the spring (March-June) and soybean prices highest in the summer (June-July). Setting deadlines to make sales and be proactive is essential to ensure you achieve your price target.

Know your marketing tools.

Several different types of contracts exist for you to sell grain. Make sure to understand all these contract options by consulting with either your local elevator or broker. The most common marketing contracts offered by most elevators are cash sales, forward cash contracts, and hedge-to-arrive contracts. You can also utilize options such as puts, calls, and hedges by working with a broker. It is imperative to understand all the marketing tools that are available to you and determine which ones fit your marketing plan the best.

Share your plan with someone else.

After writing your marketing plan and determining your course of action, share your plan with someone else, whether that be a spouse, lender, purchaser, or local farmer group. Sharing your plan will keep you accountable for your marketing objectives.

Conclusion

Grain marketing is complex because prices are always a moving target. Having a marketing plan in place can help create realistic goals to navigate market volatility. The beginning of every crop cycle is one of the best times to create or review your marketing plan and adjust. These tips can help you create your marketing plan or modify your current one.

Threshing machine pouring harvested wheat into the silo.

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