Episode 9: Five grain marketing mistakes to AVOID!

Released September 29, 2020

Blake Moore:

My name is Blake Moore, natural resources and horticulture agent.

Dan Severson:

Hey, I'm Dan Severson, ag agent.

Jake Jones:

I'm Jake Jones, Kent County ag agent.

Katie Young:

And I'm Katie Young, digital content specialist.

Blake Moore:

Welcome to Extension 302.

Jake Jones:

Hi everyone, and welcome to another episode of Extension 302. Today, Dan, Blake and I are excited to be joined by Ed Usset, all the way from Minnesota. Ed is the grain marketing economist for the center for farm financial management at the University of Minnesota. He has developed workshops, online marketing education games, and authored multiple books to help improve the marketing skills of grain producers. Ed was a presenter at Delaware Ag Week in 2020, and we are happy to have him back to help us and our listeners understand some basics of grain marketing and the most common mistakes that he's seen. Hi Ed, and welcome to the show.

Ed Usset:

Hello to you. Hello to Dan and Blake. And thank you for having me on.

Dan Severson:

Hey, Dr. Usset, this is Dan. So we usually do an icebreaker to get everything going, so everybody's just a little bit relaxed. I've been to Minnesota once. I went out there to look at some cows. I don't even know if it was winter, but just say late fall, and the thermometer was like already below zero. That's not counting the wind chill. That's the worst cold I've ever felt in my life. What's the worst cold you've ever felt and was it in Minnesota as well?

Ed Usset:

Well, it was. And we get cold here and you've got to man up if you want to live in Minnesota.

Dan Severson:

(laughs).

Ed Usset:

We have all four seasons, and I'm going to surprise you and tell you that I love the winter. And I love to ski, particularly Nordic skiing. Not downhill, but Nordic skiing. My wife and I are avid skiers. And I've been out there at five, 10 below zero. It gets pretty rough, pretty unpleasant at those levels. But by God, if you're going to live in Minnesota, you get out and you do it because there's no other way. If you're a person who can't stand the cold, you shouldn't live here because you're just going to stay in doors for five months. You shouldn't do that. Get out there.

Dan Severson:

I agree. It's cold there.

Blake Moore:

I'd probably be one of the ones staying inside five months. I can't deny it. I'm a warm weather, man.

Ed Usset:

Well, I love having all four seasons. And as we get started here, I have to make one small correction. You referred to me as Dr. Usset, and I do not have a PhD. I'm not a doctor. I am a professor, but I don't have a PhD. Now, I have to admit to you that many of my students, and I teach courses at the U, teaching one now called commodity marketing with 60 students. And occasionally they will call me Dr. Usset. And I will admit right here and now that I don't even bother to correct them.

Jake Jones:

To start, with how important is it to have a grain marketing plan with set goals?

Ed Usset:

Well, I think it's really important. I think having a game plan is important in all aspects of life. And having a game plan for marketing is also very important. Even if you don't execute the plan, I'll tell people that writing a plan forces you to sit down, look at your own situation, think about your cash flow needs, think about your production costs and go through the exercise of, okay, what are my production costs on the farm? And all of that is a healthy exercise. It's almost like in writing a marketing plan, you're doing a little benchmarking of your own operation. What are my costs? How do they compare to my neighbors? These things should come up. So even if you don't execute the plan, even if the market doesn't give you an opportunity to execute the plan, which it has been difficult this last year, it's still a healthy exercise to go through, to write that plan.

Jake Jones:

So, Ed, while we were preparing for this episode and looking at all the work, the great work that you've done in grain marketing, we see that one of the big take home messages that you have is five common mistakes in grain marketing. Can you say what those five common mistakes are and point our listeners in a direction of where they can find more information about these mistakes?

Ed Usset:

Okay. Be happy to. In fact, it has become sort of the most common talk I will give, and I update it every year. It's an idea, five common mistakes in marketing. I came up with little over 20 years ago when I started working with the university. I'll get to the five mistakes, but I'm going to be long winded. I started work with the university coming from the private sector as a buyer and a grain trader. And I'm visiting with producers and I'm giving them outlook presentations, and I show them pretty charts. And three reasons why the corn market might go up in the next few weeks and three reasons why the corn market might go down. God bless and good luck.

Ed Usset:

And I realized that's not getting anywhere, but I'm listening to the producers. And I realized they have some misconceptions about how the market works. They have some just borderline ideas of what's happening and this concept of, if you would just quit making that mistake, you'd be a lot better. And in fact, this idea of eliminating mistakes ... I'm a guy, so I think in terms of sports analogies, and think of your favorite football team. And think of how much better your favorite football team would be if they didn't jump offsides third and short, if they didn't fumble the ball in the red zone, if they didn't draw a stupid interference call on defense when they don't need it. How much better would a team be they didn't make mistakes? And we all realize they'd be much better. You don't have to jump any higher, run any faster. In fact, it's a common theme in sports, that your best teams, you're most competitive teams year in and year out are teams that are fundamentally sound and don't make a lot of mistakes.

Ed Usset:

So I came up with this idea of rather than trying to predict the market, because that's a hard thing to do, rather than predict the market, let's think about, well, these mistakes that I see happening. Look at yourself and ask yourself, "Am I making these mistakes? And if I eliminated them, would I lift my whole game up a little higher?" So, the five mistakes I identified, in no particular order, but I present them this way, is one, the reluctance towards pre harvest marketing. And that is looking for early opportunities to price new crop grain. Now I'll be the first to admit here in 2020, a pandemic stricken year, producers really didn't have very many good opportunities to price 2020 soybeans or corn last spring. You'd have to go way back to last December or even January of this year for something that looks like a reasonable opportunity. But, I know producers who just will not price grain before harvest. And I'm like, that's a mistake. Some of your best opportunities can happen before harvest.

Ed Usset:

The second mistake, I'll tell producers, you've got to know and understand your local basis. Now, I'm talking to people in the great state of Delaware, and you cheer for a blue hen. Is that true? That's hard to wrap my mind around. But, I can't complain and I can't disrespect you because I cheer for a gopher, and I have no moral ground to stand on there. But, anyway, in Delaware, you have a much better basis than in the Midwest. And I note that today, your corn basis in different parts of Delaware might be 20 over, 30 over, 40 over the December contract. And here we are 40 to 50 under in the great state of Minnesota. We're far from the market basis is lower. All I'm telling people with basis is you got to know and understand your local basis. You have to have an opinion on when basis is good, when it's not so good. And it becomes a part of your marketing decision. I have a hard time putting a number on the value of that, but you got to know, you have to become a student of your local basis. Understand the pattern. Basis has a pattern every year. Tends to be weakest at harvest, strongest in the spring or early summer. Know your pattern. Know what's good, know what's bad.

Ed Usset:

Third mistake, lack of an exit strategy. I had this many times out. I'll talk to a group of producers and it'll be January and I'll ask people, "Okay, you put your corn into bins at harvest. Yeah. Okay. And the market is, let's say it's up 20 cents since harvest. So when are you going to sell that grain? What's your exit strategy? Are you waiting for 40 cents more? Are you waiting for 50 cents more? What if it goes down? Do you have a time involved?" And of course, you can hear crickets. No one has an answer to that. And I think it's a big problem. When you have unpriced grain in the bin, or even if you have hedged grade, you have to have an exit plan. When am I getting out of this? And if you don't have one, if you don't like write it, you can always adapt it.

Ed Usset:

If you don't set it up down on paper, look at it and say, "Yes, I'm waiting for this price or this level of increase over the hardware price." You you might just miss the opportunity. This happens. I tell producers, I know what your exit plan is. You've got corn in the bin and you want 25 cents more. And I said, "Now in the next two weeks, if we get a 25 cent rally in corn, what are you going to do?" And of course, someone will pipe up and say, "Well, I'm going to wait for another 25 cents." I said, "That's the problem. It's a moving target. So don't do that. Have an exit plan."

Ed Usset:

Fourth mistake relates very closely to the lack of an exit plan, and it's a big problem in the upper Midwest where we have those cold winters and producers can store grain a long time. And that fourth mistake is holding grain too long. If you look at any seasonal pattern in corn and soybean prices, you will know that on average prices are weakest, are lowest at harvest. This is on average. Every year it's a little different. And highest in the spring or early summer. And yet we'll have producers, no exit plan, market gives them a little rally. And then, "Well, I'll wait for 25 cents more." And they continue holding grain into the summer. And son of a gun, they'll hold it right through the whole crap year. They'll watch the bulge come, they'll watch the app, they'll pass on every opportunity. New crop comes, they still got last year's crop. And I've got a character, Hank Holder, who holds his grain to sell at the end of the crop year right before harvest. I know it's an extreme example, but Hank is my worst performing character. And I've got about 15 or 20 make-believe celebrity producers. It's a bad deal.

Ed Usset:

The last mistake is this misunderstanding the nature of carrying charges in the market. And it's kind of difficult to explain verbally, but it's all about this strategy I hear producers talk about, where my broker tells me I should sell my corn at harvest and re-own with an option, a call option. So you sell at harvest and that harvest price is based on the December futures contract. And yet the re-ownership is not with the December contract. You want to get out there ahead. So you might re-own with the May or the July corn contract. And the argument is, I've avoided storage costs, because you see, I sold my grain at harvest. I re-owned it on paper. I have no grain in the bin, no storage costs. Well, if you understand what a carrying charge is in the market, you realize that particularly in corn, it is normal for the December contract to be trading lower than that July or May contract out in the year ahead.

Ed Usset:

They often trade at a higher price, a positive carrying charge. And you know what that positive carrying charge is? It is a market determined storage cost. So if you sell today at a price based on that lower December contract and re-owned with the May or July contract that's trading higher, the mistake is you did not avoid storage costs. You paid them upfront. You paid them upfront. So the only time this paper farming makes sense is if the market is flat or inverted, that is to say, the July contract that you are re-owning in is at the same price as the December contract, or maybe even lower. Now, that's a pretty rare occurrence in the corn market. Not so rare in soybeans. And that's why it has a little better record in soybean. So those are the five mistakes. I apologize for taking so long to explain them. But my point with the producers is, which ones do you make? Which ones do you make year in and year out? And if you eliminated them, how much better would you be off? How much would that improve your marketing?

Dan Severson:

I think those five mistakes are common, hence the name. But one of the questions I have, I think it was mistake number two. Can you go a little bit more in explaining what basis is because you need our producers to understand what local basis is? So, can you just go in a little bit more depth of what that means?

Ed Usset:

Well, basis, and this is the most complex math I'll lay on you today, basis is, if you want to know your basis, you'd take your nearby cash price. What are you being bid for corn today? And subtract the nearby futures contract. So, December corn, I'm going to make up numbers, is currently about 3,65. I think we're close to that. And nearby prices in Delaware, I just looked it up this morning. I saw bids as high as 35 over. In other words, the bid for new crop corn was $4 a bushel, cash. And the nearby futures were 3,65. So you're 35 over the nearby market. 35 over the December contract. And again, here in Minnesota, we're trading 40 to 50 under. So we're being bid, not 3,90 to $4 cash price today, as you are. We're looking at 3,15 to 3,25 in much of Southern Minnesota. I'm not trying to garner your pity. I'm just trying to give you an idea there. That's basis. Now that's just a simple mathematical calculation.

Ed Usset:

But, what I'm telling people is basis has a pattern. The cash price tends to be at its lowest point relative to futures at harvest. And there's a reason for that. Harvest is a new crop. There's a lot of bushels chasing limited space. That's not Chicago. The futures contract, the price of futures really don't care that farmers in Southern Minnesota or in Delaware are having a hard time finding a home for their new crop corn. That's a very local issue. And that tends to impact the local price but not necessarily the futures price, this world price of corn. But later in the crop year, you get beyond harvest, you only produce one crop. So you have a certain stack of corn, soybeans, wheat, that must be meted out over the year. And based on supply and demand situations, that basis generally improve. Every year is a little different, but it tends to reach its highest point in the spring or late spring, early summer. In very tight carry out years it can get pretty wild in the summer.

Ed Usset:

And again, what I ask producers to do is get to know that local basis. What's a good one, what's a bad one. I like to tell producers in Southern Minnesota, my home state, I say, you must have an opinion on basis. And if you don't have one, give me 20 bucks and I'll share mine. Become a student at that. Start tracking it, write it down. There are resources out there to get some history on it.

Jake Jones:

So, Ed, you've talked about it a little bit, but can you go into a little more depth of the seasonal trends in grain prices?

Ed Usset:

Well, cash seasonal trends are very distinct in corn, soybeans and even in wheat. Less strong in wheat because you've got both winter and spring and it's spread out more. But in corn and soybeans just about, and USDA puts out numbers, corn prices in Iowa, Minnesota, and Nebraska, average monthly corn prices. I don't know if they do it for Delaware. They don't do it for every state. But if you look at the pattern for any corn belt state, cash prices for corn and soybeans tend to, on average, I want to say on average, every year's a little different. But, over the long run, it would be at its lowest point in October. October, November would be the lowest prices. And then we start to rise. We start to improve a bit as the crop year goes on. And the month of may or June is going to have your highest average corn and soybean price. And then it begins its descent, again, on average into the new crop year. This has been true. This pattern is driven by the production cycle. We harvest in the fall and the spring is a time of new crop tends to be better because farmers are planting grain. They aren't selling as much, basis gets better. By the way, seasonal patterns are driven mostly by basis not by futures. We should understand this. I mean, there are some truths there.

Ed Usset:

Now, having said that you've got listeners who are going to think, "Well, this means that every year I just put my grain in the bin and I wait until late spring, early summer, and I sell it." And I will tell you that, "Yeah, if you do that every year, you'll come out okay. You won't win every year." And as a matter of fact, 2020 is a case in point. I've got a celebrity producer in my book. Her name is May Sellers, and May Sellers puts her corn and soybeans in the bin at harvest in mid-October, in Minnesota language. And she holds on to that grain unpriced until the last week of May. Hence her name, May Sellers. By the way, I could have named her June sellers and had her sell in the first or second week of June. But, I did what I did. And if I make up any more characters, people are going to haul me away. So we'll stick with May.

Ed Usset:

Don't get hung up on the last week of May. The actual high might be in the first half of June. It's somewhere in there. I've got over 30 years of data, real data on May Sellers using Iowa prices. And 2020, in the pandemic, this was May Sellers worst year in 30 years. In other words, the price at harvest, the price at the end of May in 2020, I want to say the cash price of corn, your listeners would know better, 30, 40, 50 cents less than the harvest price. All pandemic driven. And yet a harsh reminder that a simple strategy of putting it the bin and going to sleep and not paying attention to it may not always be the best way to go. But, those seasonal patterns do exist. I anticipate they will be true again in the year ahead. In other words, if I were a betting man, I would guess that cash prices will be better next May and June, than they are right now. But, it's not always true. Marketing is just not quite that simple.

Blake Moore:

And so how do we go about calculating production costs? And are cost of inputs have any relation to the cycles and the price of grain?

Ed Usset:

Well, the way I would go about calculating a production cost, I don't know if the University of Delaware does this, if maybe you have a spreadsheet or something that helps people calculate it. I'm going to suggest a website. It's called FinBin. It gathers real farm data from an number of states. And forgive me, I'm not sure if Delaware is participating in this. Minnesota and I think there are about 10 different states that participate. And we produce, FinBin gathers this data from real farms throughout the country, and with that, you can calculate production costs. Just go to Google, Fin Bin, F-I-N-B-I-N. FinBin. It's out of the University of Minnesota and the center for farm financial management, where I do my daily work. And you can calculate a cost of production. And if there aren't Delaware numbers there, use the Minnesota numbers, for example. Not because they relate directly to you, but you'll get a printout and you'll see all the categories of expenses we looked at. And now you can start going through your own farm and plugging in your own numbers and calculate a cost of protection.

Ed Usset:

Do input costs affect that? Absolutely, they do. Do they affect grain prices? Yes. Over time they do. Day to day, probably not, but over time they do. I think it's a healthy exercise to calculate your cost of production. Even healthier if you can get data on production costs in your area. And I always like to tell producers that the Delaware producer probably should not expect to produce corn as cheaply as an Iowa producer, okay? Iowa's got this land that's just made for corn and yields are great and land costs are cheaper. And yet that's not really the relevant issue. The relevant issue is, am my competitive with my neighbors?

Ed Usset:

Corn and soybeans are commodity markets. And as I went through my lecture yesterday with my students, I think my job with a bunch of 20 year olds, I'm trying to help them understand why commodities are so different for many products. The cell phone they carry around, the shirt they wear on their back, computer they have, the car they drive. Those are product. Products are branded, they're differentiated. You advertise them. You package them different. Not a commodity. Commodities are, none of that stuff matters. It's all about price. It's all about production costs. And if you want to be competitive in a commodity market, you must be an efficient, low cost producer. It's just cruel world. I have been known to tell farmers that I meet in Southern Minnesota in times not so good. I'll say, "You picked one hell of a way to make a living. This is not easy."

Ed Usset:

But take those production costs. Don't worry about what we're doing in Minnesota or Iowa, but do worry about your neighbors in your area, in Delaware. Am I competitive? And if I'm not, why am I not competitive? Am I paying too much for inputs? Am I not getting the yields I should? Et cetera. Be competitive. You must. In a commodity market, the low cost producer wins. You want to be efficient and competitive on cost.

Dan Severson:

So, we're talking about production costs. In your five common mistakes of brain marketing, one is lack of exit strategy. So should we ever sell below our production cost? Is that involved in an exit strategy?

Ed Usset:

Well, yeah. It doesn't seem to make sense. But of course, part of production costs, your listeners have to think about, well, are you taking into account these, for example, several programs made special payments to commodity producers? If you will, that kind of buys down your production costs. Today, December corn is at 3,65. That's not a number to write home about. Beats the hell out of the 3,20, 3,25 of a month ago, but it's still not a number to write home about. And if you think in terms of production costs only, you'll say, "Well, that won't pay the bills. $4 cash corn in Delaware, that won't pay the bills." And I'll say, "Well, have you considered the payments you got because of the pandemic and that? Okay. Does that add up now? Look at the whole picture."

Ed Usset:

And the other reason you might sell below production costs is, this is commodities are a cruel world. They don't promise prices above production costs every year. And sometimes the market is such. I would say over the last five years, unfortunately, it's been touch and go with prices relative to production costs. We get opportunities that show up for a short time, and sometimes not. I tell producers, "Sometimes you're maximizing profits and sometimes you have to think about minimizing losses." And you say, "Why would I sell corn knowing that I'm losing 20 cents a bushel?" And my answer is, "Because in a couple of months you might be selling at a loss of 50 cents a bushel, and those are hard choices. This is why it's a hard world in the world of corn and soybean production. But sometimes you have to bite the bullet and sell cheaper."

Jake Jones:

So, last year at Delaware Ag week, you gave a workshop titled How To Get $5 Corn. Can you remind listeners steps needed to succeed with this goal? And I think I still have a few of those books around. So if anybody listening needs one, I can distribute some.

Ed Usset:

Well, here in the Midwest it's titled How To Get $4 Corn.

Jake Jones:

(laughs).

Ed Usset:

Of course we have a lot better basis. And I can't recall Jake, if it was you I was working with or someone else in your, Blake or Dan, someone. And I said, "Well, I've got a workshop, How To Get $4 Corn." That the response was something on the order of, "You're going to get run out of town to tell people how to get $4 corn. They've got it right now because the basis is so much better." So, we retitled it How To Get $5 Corn, which had a little better ring in Delaware terms. It's a three-step process. You're going to start in Delaware terms. If you can make a sale of a, and by the way, don't get hung up on the one number. And don't get hung up on the How To Get $4 Corn, How To Get five. What's the price? Yeah. Price matters. But this workshop was really all about combining pre-harvest marketing efforts with post-harvest marketing efforts, to get the most she can out of the market.

Ed Usset:

So today I'll tell you that the opportunity is not there to get $5 corn on the 2020 crop. The 2021 crop, I'm going to guess I would have to rename it something like, How To Get $4 and 75 Cents Corn. So I'll explain it. Three steps. Step one, make up price grain before harvest. If you want $5 corn, you're going to have to start at probably 4,10 in the December '21 contract. Some of your listeners are going to go right to the board right now, and they're going to say, "Well, you idiot. It's not trading at 4,10. It's trading at 3,85 I believe." And I'll say, "That's right, 25 cents less." So now we're going to rename it, How To Get 4,75 corn, because that's your starting point.

Ed Usset:

You start with that pricing and you're going to do that with a futures contract. And if you can't handle a futures contract, hopefully your local market uses hedge to arrive contracts or futures fixed contracts. They go by different names. So you start with that. When you get to harvest, step two, you've got to roll that hedge from the December contract, which you would use the December '21 contract out to the July of 2022. And people will always ask, "Well, okay, why didn't I just sell the July '22 contract in the first place? Why start in the December and roll to the July?" And I've got data that shows that the December-July spread widens over time. Nine out of 10 years, that spread will widen and reach its widest point as you get close to harvest. And if you're starting this process let's say in January of 2021, you're not going to have that wide spread. That's my reason. So that's step two. At harvest, you are going to put that grain in the bin. You've now rolled your hedge to the July. And now you're going to wait until the spring of 2022.

Ed Usset:

I'm dealing now with the '21 crop. Now the '20, the '21 crop. I'm always looking ahead. You're waiting for that basis to narrow up. There we are back on this basis talk. And you're looking for a good opportunity to make the final sale, deliver on the hedge to arrive contract. By the way, many hedge to arrive contracts, they will allow you to roll the hedge forward once within the same crop year. Please see whoever you're dealing with, your local market. Make sure, if they have a hedge to arrive contract, you have that alternative to roll the hedge forward. Not all of them do. And then you're going to wrap that up. You'll start at 3,85 on the December contract. You'll add maybe 25 cents for the carry from December to July, December '21, to July of '22. That's 25 cents more. Now you're up at 4,10.

Ed Usset:

And now what your base is going to be in the spring of 2022? Out there in Delaware, it might be 50 over. So you've got 4,10 plus 50, you're at 4,60 cash cart. It can be done. It can be done. I know producers who have been doing this in the upper Midwest. People are lamenting, "Oh my God, the cash price of corn is 3,50 or 3,30 or 3,20." And yet there are people who ended up with $4 doing this process.

Jake Jones:

Do you have a celebrity character who does this?

Ed Usset:

I did create some for the game. And yes, I do have some celebrity characters that do it, who have done it every year. Again, I don't want people to get hung up on that number, How To Get $4 Corn, How To Get $5 Corn. It's really a story of how to combine pre and post-harvest marketing in a fundamentally sound way that gets you a better price. By the way, if you do this approach, and the great bull market of 2021 begins for whatever reason, you know what that means? You're going to say, "Oh, that son of a gun," I won't swear, "That son of a gun from the university convinced me to go down this route to get 4,60 or 4,70 or 4,80 corn. And my neighbor's selling at 5,90." Yeah, that can happen. That can happen.

Blake Moore:

Ed, I imagine we're just scratching the surface of grain marketing with this episode. And one of the things we like to do is provide our listeners with some opportunities to go look for more information on these topics. Can you talk about your latest book, the Grain Marketing Is Simple, It's Just Not Easy?

Ed Usset:

Well, my latest book is frankly my only book, but it is the second edition that's out there right now. The original edition came out in 2007. The second edition was published late in 2015, so it's not quite five years old. The name of it is Grain Marketing Is Simple, It's Just Not Easy. And if you want to copy, Google it. You won't get it at Barnes and Noble or Amazon. Somebody might be reselling a used copy. I've occasionally received an email, someone selling your first edition for $80. Well, you can do that if you want people. But if you Google [inaudible 00:32:30], go to the U of M website where it is available. You'll pay $40, 39,95, and that includes shipping. We make it available. We sell it ourselves. So Google it, find it. Everything I've talked about here today is included in that book. I'm happy to say that I believe between the two editions, we've got something like 13,000 plus copies out there over the last decade. So, it's a good resource.

Ed Usset:

It sounds very self-aggrandizing for me to plug my own book. Producers think, "Ed, this son of a gun's going to buy himself a new cell phone on my hard earned money." I want you to all know that all of the money goes to the University of Minnesota, not to me. I'm still low PO'd about the whole deal, but, that's just the way it is.

Dan Severson:

Jake sent us a video of a conference you did, a talk you did on the five common mistakes. They can Google that as well. If Jake can put that to Katie to put up on our website. And also you talked about, during that video, you talked about the commodity challenge. I thought that was pretty neat for people that are interested in this grain marketing, but don't really want to put their own coin in the mix right yet, but they can practice. Can you just give us a little idea about that?

Ed Usset:

Well, commodity challenge is a website that we've, it's a trading simulation, but all the numbers are real. Real cash prices, real futures prices and options prices. And it's free because we get support from the CHS foundation. What you do is, if you go to commoditychallenge.com, all one word, commoditychallenge.com. You register on the site. We got nothing to sell you. Don't worry about getting emails from us trying to sell you something. But, you can join an open game. I've always got a ton of open games on there. Or, if you want, and I suggest this to friends here with the University of Delaware, you can set up a game. I will get local quotes. What's fun about the game, it's customized. So I can create a game and I can get quotes for corn bids in Delaware, soybean bids in Delaware. So, you play the game as a Delaware producer and you can practice some strategies. Buy puts, you can sell futures, you can simply sell cash grain. You're given so many bushels to market over the course of a time period and you can practice. Try these things out. And all the numbers are real, but no one gets hurt.

Dan Severson:

Yeah. I like that. Jake, we should look into that. Blake, we should try to figure out if we can get a Delaware team.

Ed Usset:

By the way, last couple ideas. I'm starting 250 games a year throughout the country, 25 different states. It's very popular with high school ag classes. It's popular with the community college ed classes. It's popular. I used it in my own University of Minnesota class, because you can talk about grain markets all you want, but nothing beats experience of having to make those pricing decisions.

Jake Jones:

Thanks Ed. Do you have any take home messages you want to leave us with?

Ed Usset:

Well, I'm just thinking of the current market and I don't do outlook a lot. But, I don't know how many of your listeners will realize that yesterday on September 14th, November 20 soybean futures tapped out at 10,08 and three quarters. And that was a life of contract high. The highest it's been. It hung around the high $9 Mark, 9,70, 9,80 early this year. But three years ago, it got as high as 10,05. And we set a life of contract high. The corn market, not as impressive at 3,65, but still 40 cents off its lows. And I always like to remind producers that when the cookie jar is being passed around the room, and there's an opportunity to grab a cookie, don't forget to put your hand in the cookie jar and grab it. There's an opportunity here in this rally. I don't know how high it'll go. Will let go higher? Possibly. But this is a hell of a rally off its lows, particularly on soybeans. But even wheat and corn have had a low bounce. And if you've been behind and making pricing decisions, here's a chance to catch up on a few.

Jake Jones:

What's driving that soybean rally right now?

Ed Usset:

We've got two things going on, both positive. We've simply got good demand in the grain markets. Soybean exports and corn exports are running better than anticipated, better than a year ago. And strong demand is always a good thing. And you have on top of that, it's going to be a very good crop, but it's not going to be the bin buster that we thought about just two months ago. USDA trimmed its thoughts on corn yields nationwide and soybean yields in the last report. We've got some dryness in parts of Iowa. We had something called a Derecho go through Iowa in early August, and took a lot of ... if you look at the last [inaudible 00:37:50] report, USDA took some acres out of harvested acres for corn, their anticipated harvest acres. And you might say, "Why would they change that?" I'd say, "Come with me to central Iowa and I'll show you some corn that's not going to be harvested. It's laying flat."

Ed Usset:

So we've had some things on the supply side in addition to good demand, that just puts a little different spin on this market. But again, let's not just get all balled up and stubborn. This is a great opportunity to catch up on some sales that you wish you'd made months ago.

Jake Jones:

Well, thank you for joining us. I know I've learned a lot and it's a pretty complex topic. So like Blake said, we really just started scratching the surface here. So I want to thank you for joining us today.

Ed Usset:

Thank you for having me.

Dan Severson:

Thank you, sir.

Ed Usset:

You have to tell me, the gophers are part of the big 10 and the football season's been called off. Are the blue hens playing?

Dan Severson:

Not this fall. No.

Ed Usset:

Okay. [crosstalk 00:00:38:47].

Dan Severson:

Yeah, I think there's talk of maybe a spring, but I don't know. And you know how it is, 2020, everything changes day to day.

Ed Usset:

Okay. Well maybe someday we'll see a blue hen and a gopher go at it. And I'm not sure if I can wrap my mind around that.

Blake Moore:

I don't know if we want to see that.

Dan Severson:

No.

Ed Usset:

Well, thanks again for having me on. I've enjoyed my time here.

Dan Severson:

Thank you.

Ed Usset:

Okay, take care.

Dan Severson:

Yup. You too.

Katie Young:

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Katie Young:

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