

Marketing Considerations for 2023

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Row Crop Short Course

12/7/22



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EXTENSION



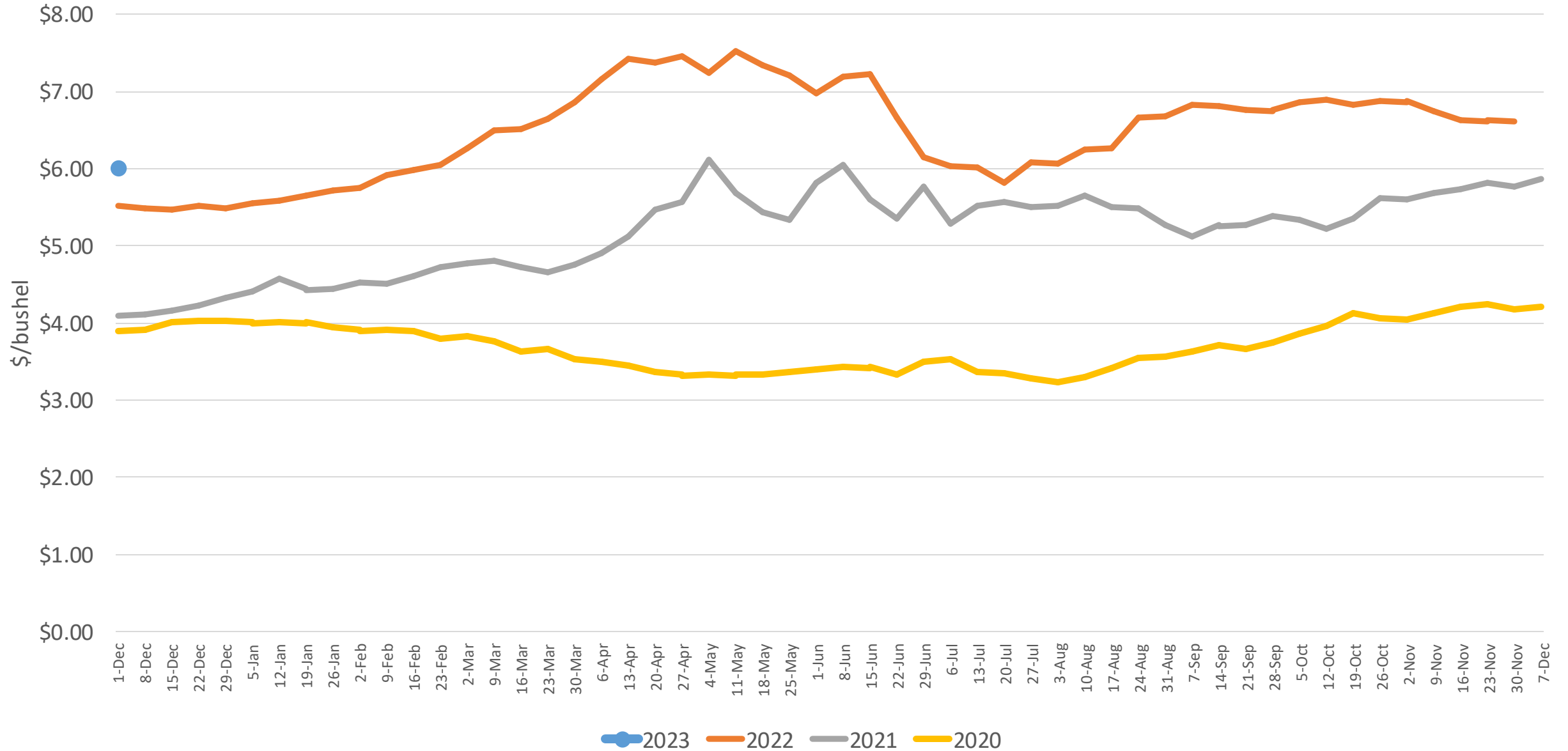
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Production Cost Breakeven Prices

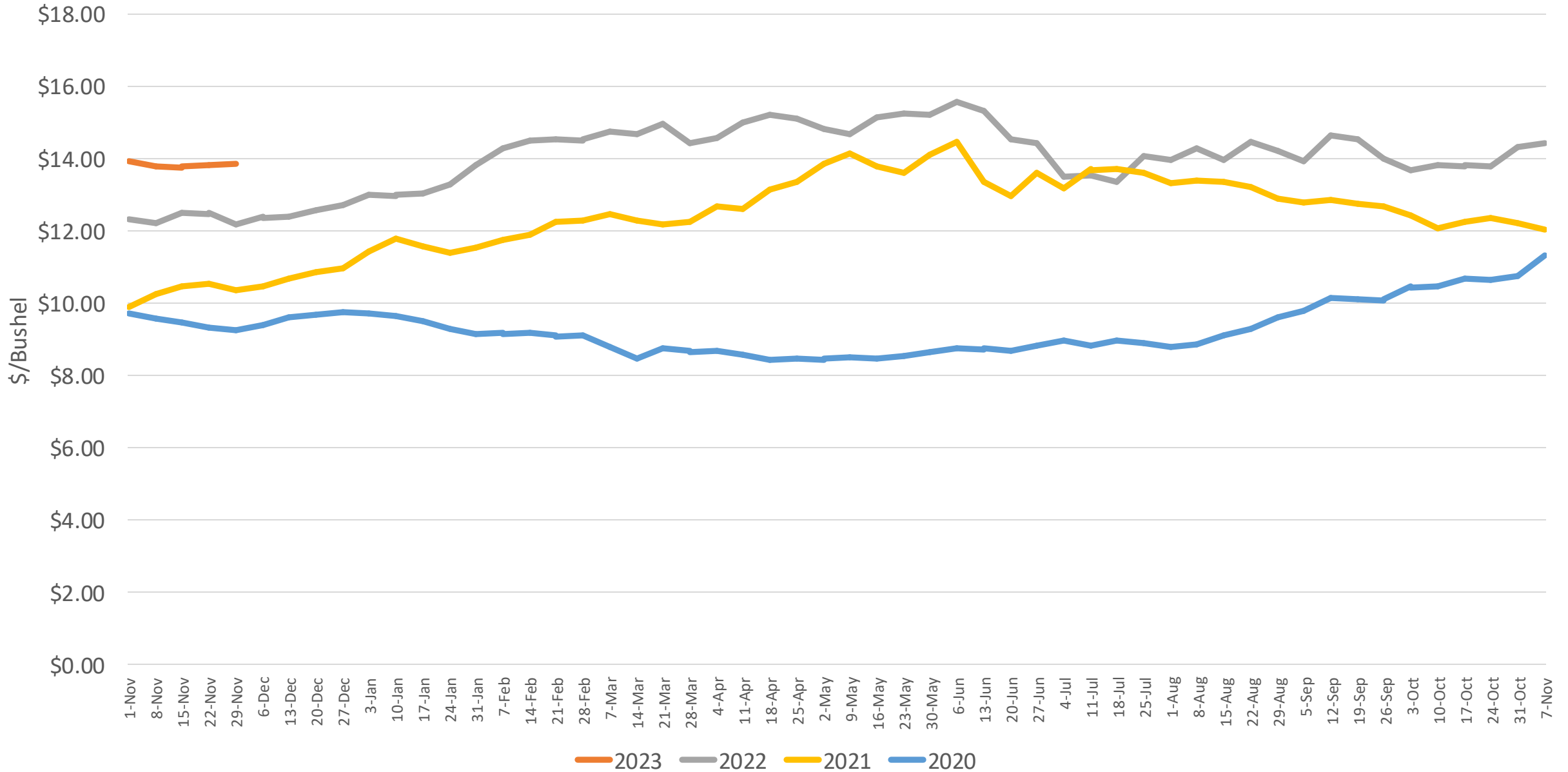
- Based on 2023 MSU Planning Budgets Using Mississippi 10-year Average Yield

Commodity	Production Cost (\$/acre)	Average Yield	Breakeven Price
Corn	\$997	177.8	\$5.61/bu
Soybeans	\$578	51.3	\$11.26/bu
Cotton	\$1,035	1,104	\$0.94/lb

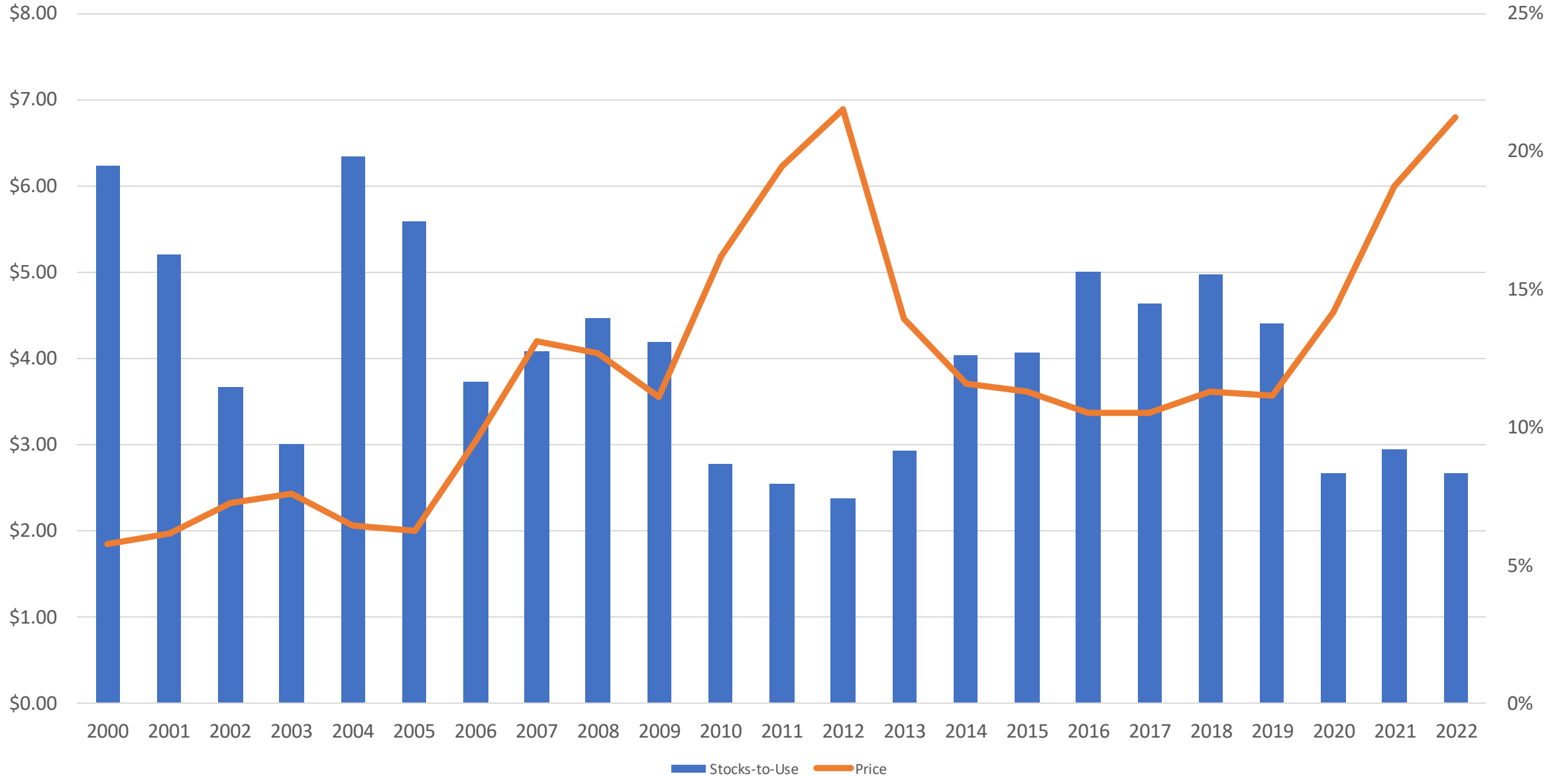
Weekly Average December Corn Futures Price for Select Contract Years



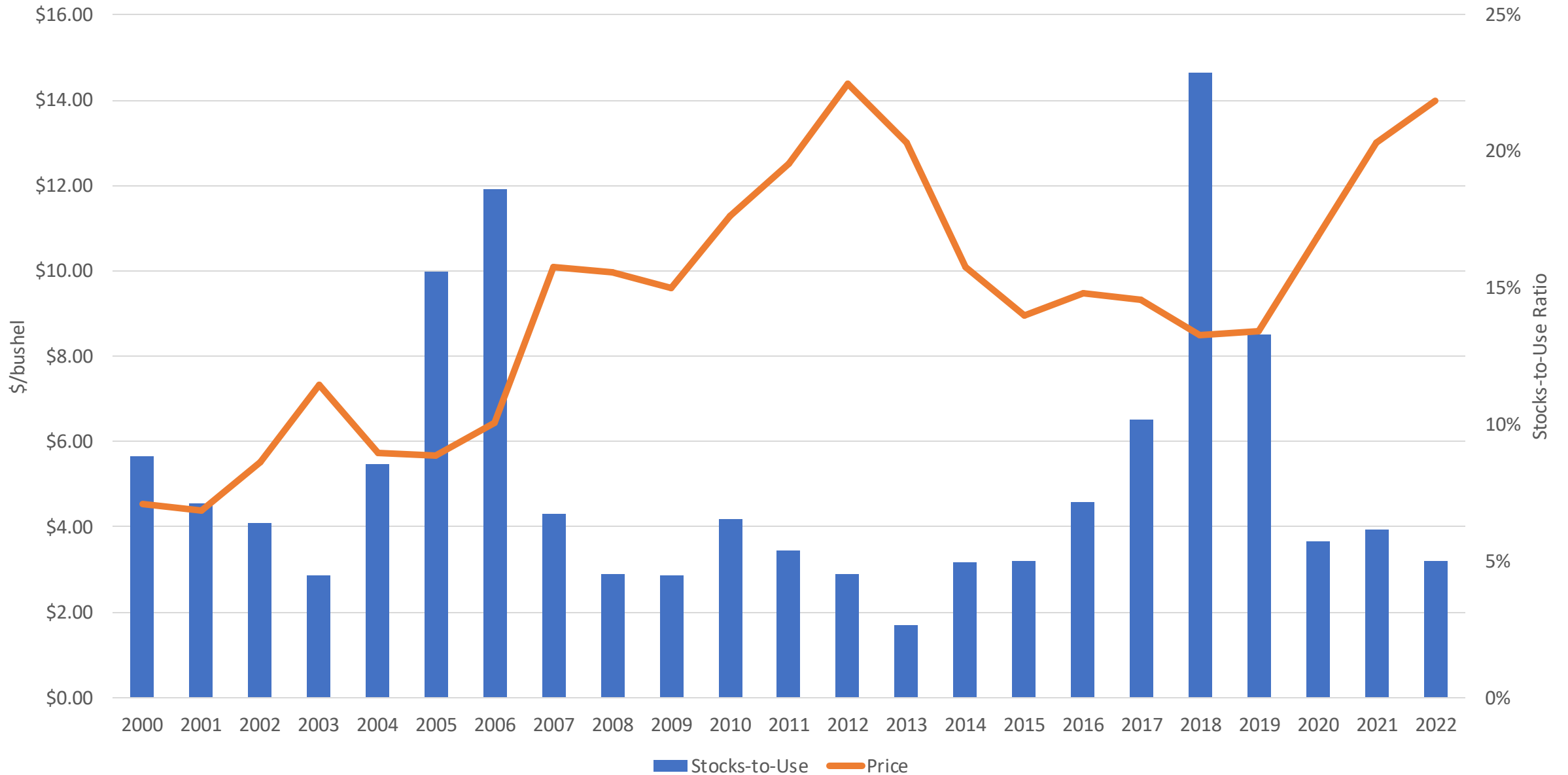
Weekly Average November Soybeans Futures Price for Select Contract Years



United States Corn Stock-to-Use Ratio vs. Price



United States Soybeans Stock-to-Use Ratio vs. Price

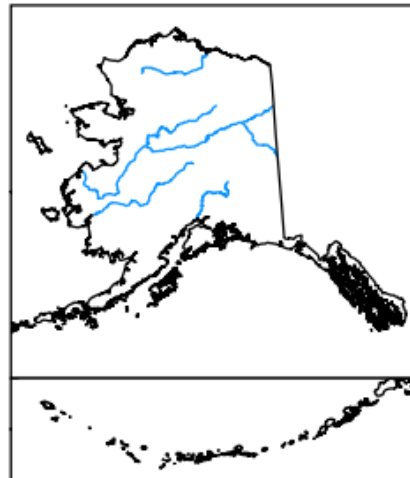
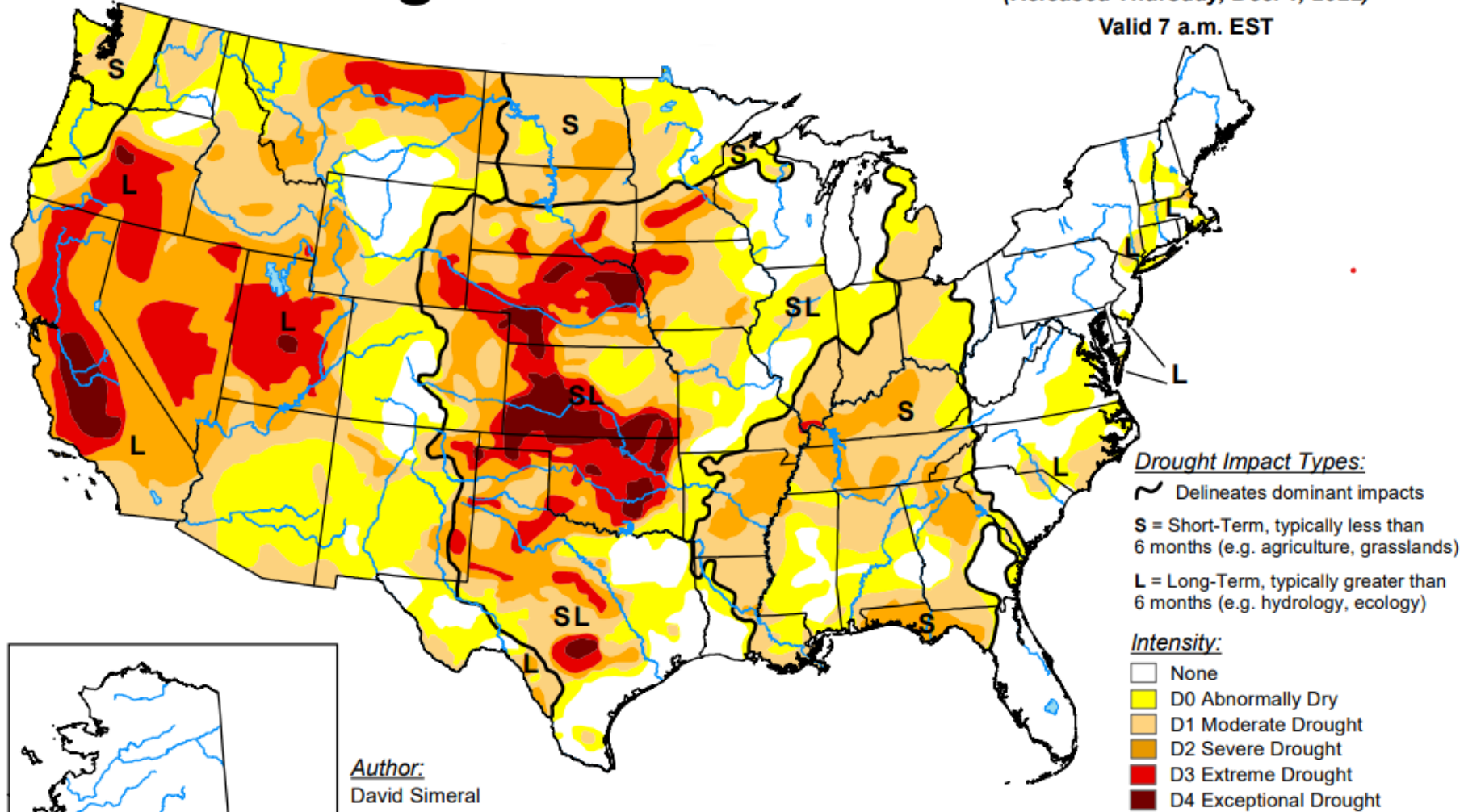


U.S. Drought Monitor

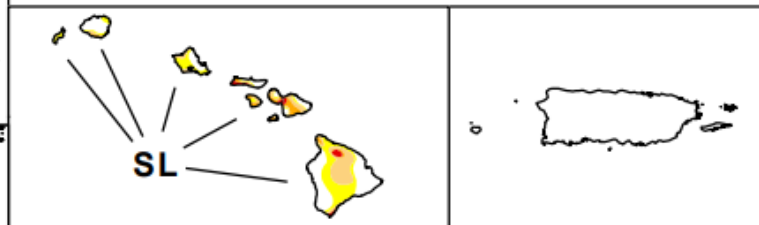
November 29, 2022

(Released Thursday, Dec. 1, 2022)

Valid 7 a.m. EST



Author:
David Simeral
Western Regional Climate Center

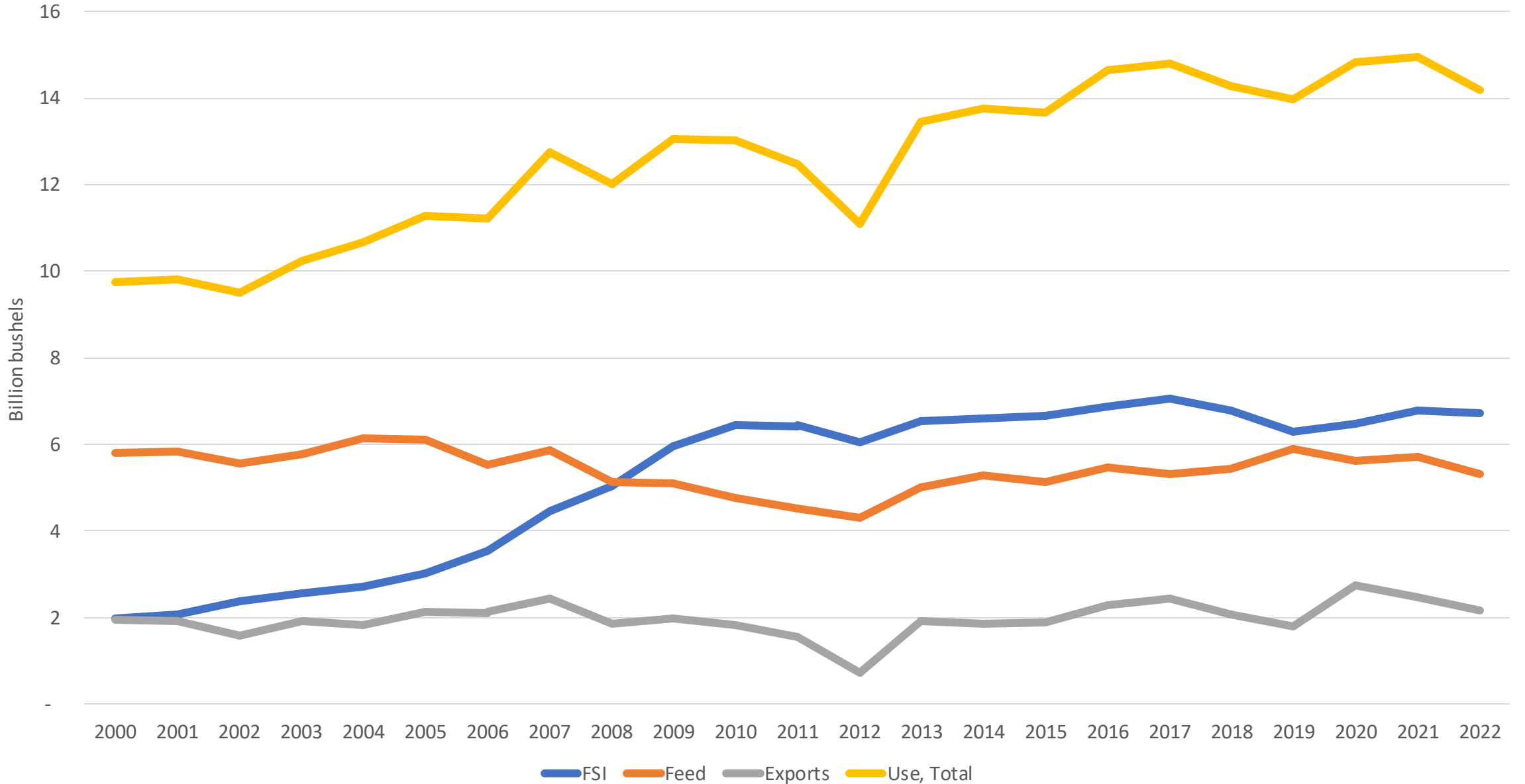


The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to <https://droughtmonitor.unl.edu/About.aspx>

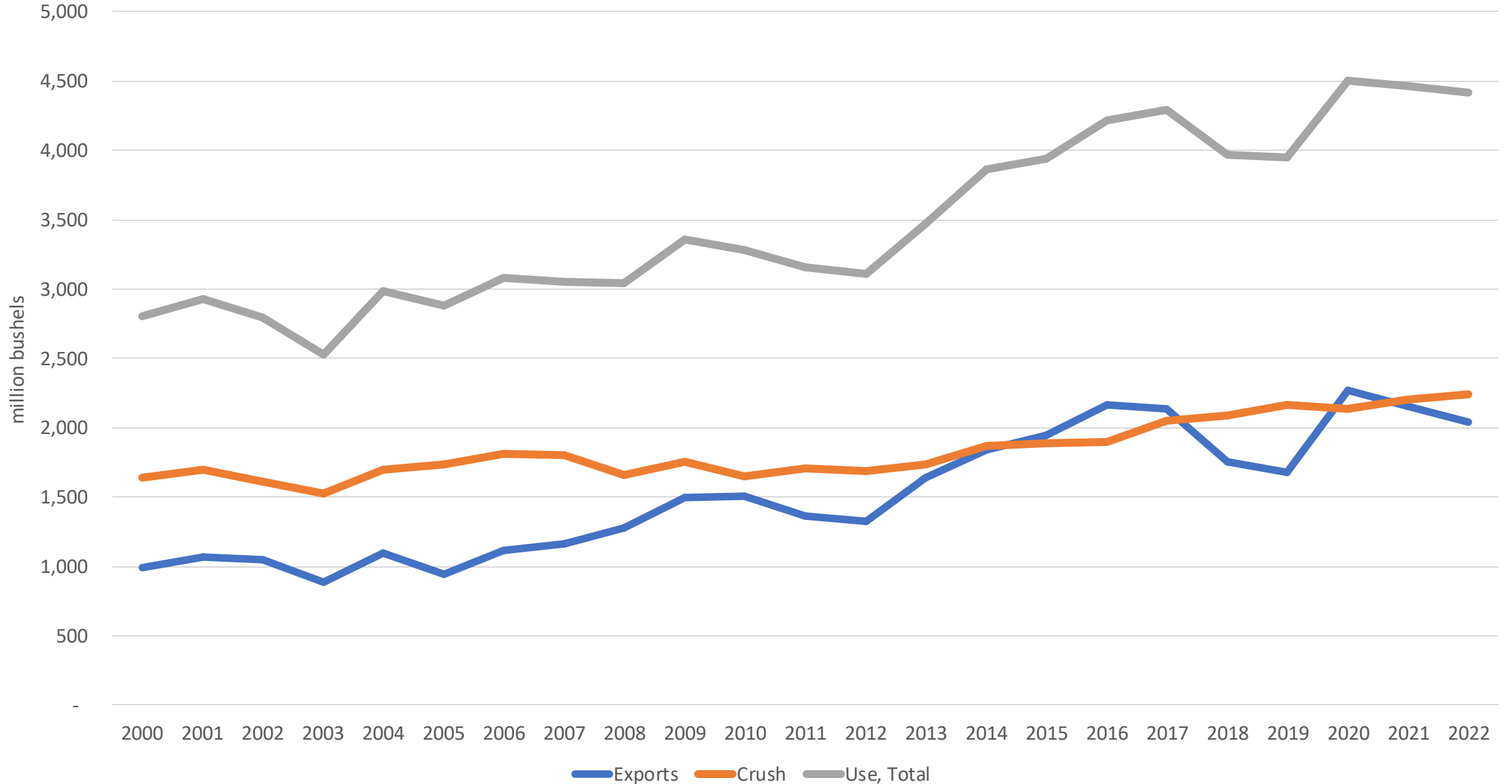


droughtmonitor.unl.edu

United States Corn Use by Category



United States Soybean Use by Category



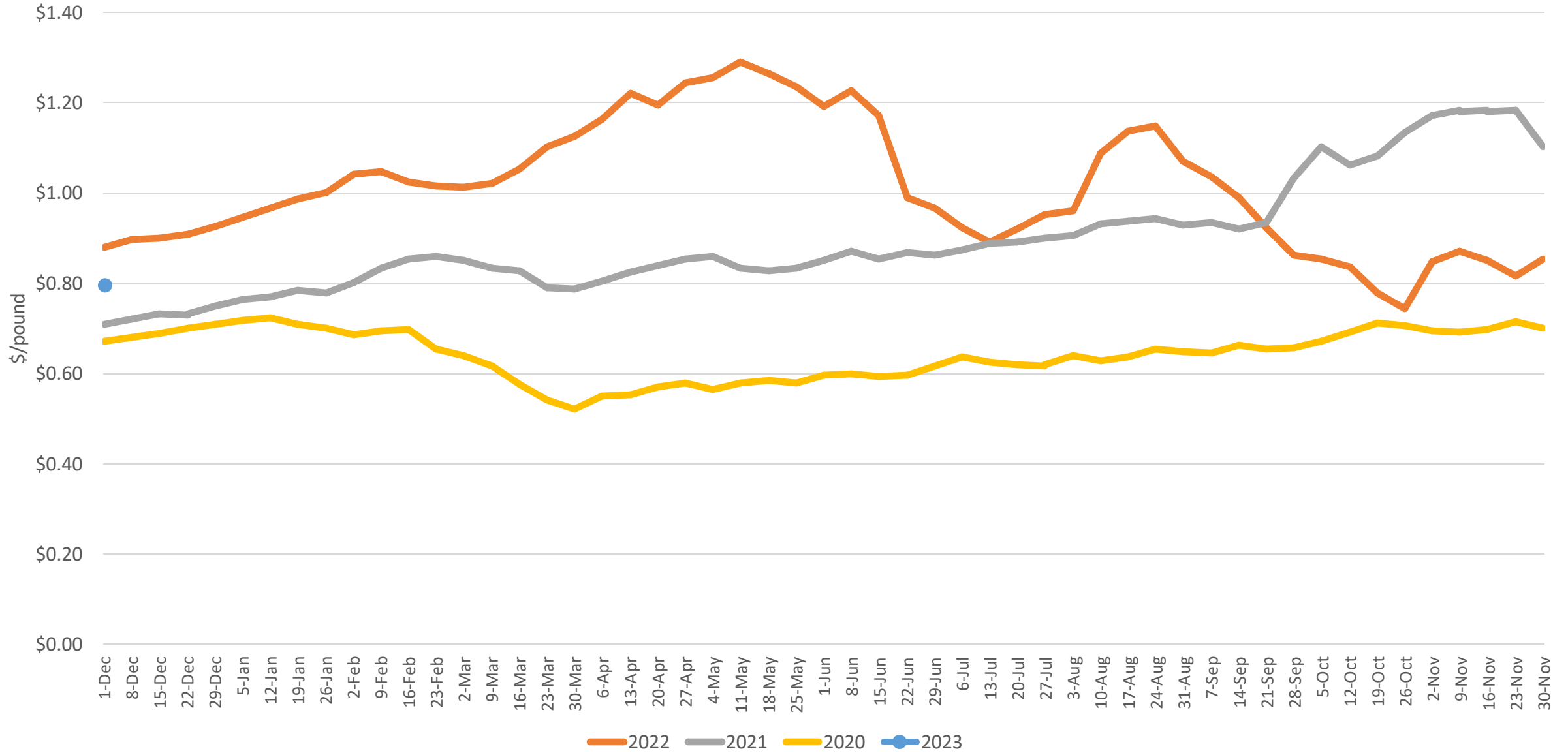
2023 Corn and Soybean Outlook

Category	Corn	Soybeans
Planted	88.5	88.5
Harvested	81.0	87.6
Yield	179.8	51.2
Supply Total	15,792	4,721
Use Total	14,150	4,419
Ending Stocks	1,642	302
Stocks-to-Use	11.6%	6.8%
Price	\$5.50-\$6.50	\$13.00-\$15.00

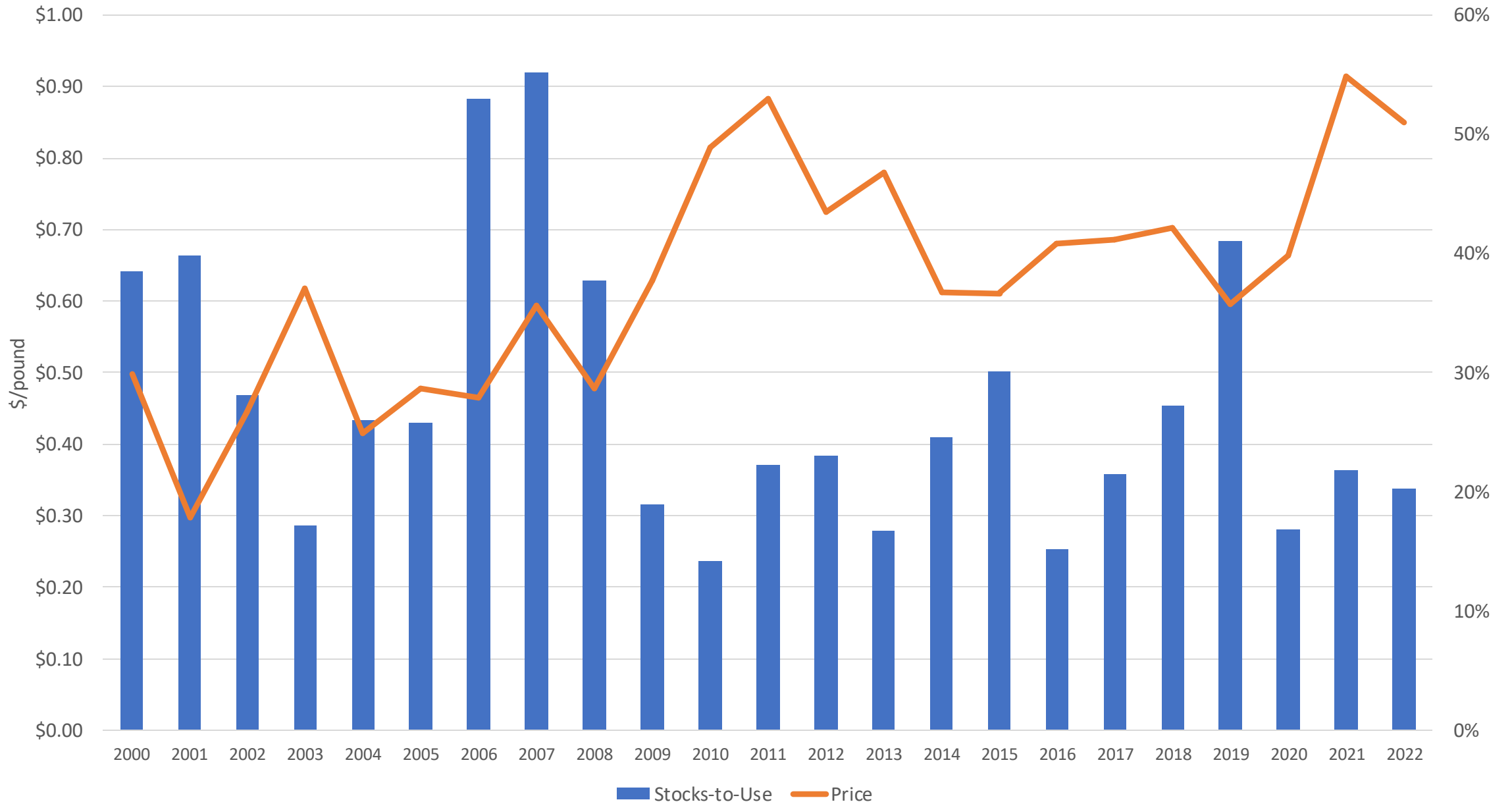
Key Points

- Brazil Soybeans
- China
- Continuing Drought
- Ukraine/Russia War
- Mexico's GMO Corn Ban
- Electric vehicles and Ethanol

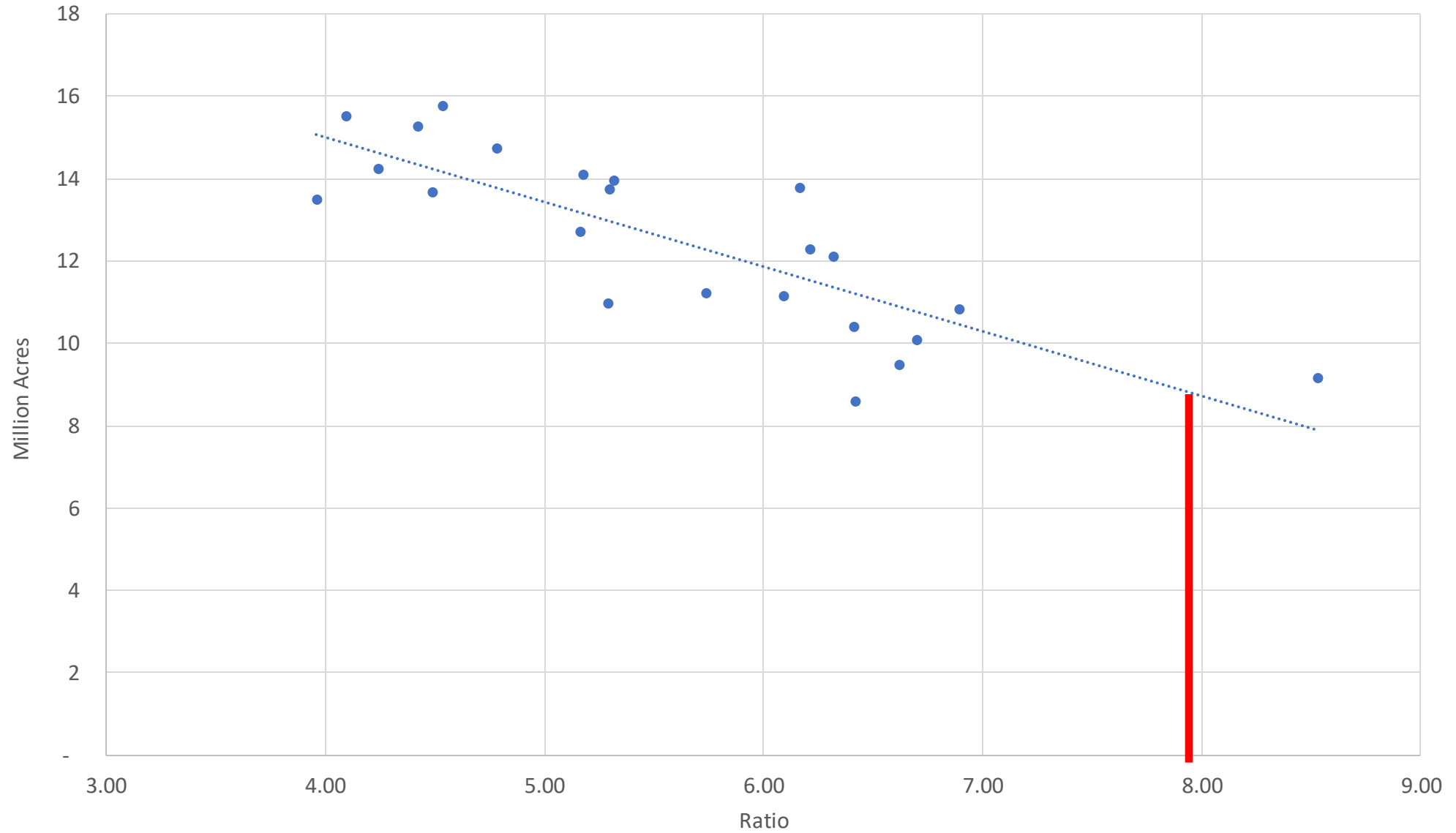
Weekly Average December Cotton Futures Price for Select Contract Years



United States Cotton Stock-to-Use Ratio vs. Price



U.S. All Cotton Planted Acreage and Ratio of New Crop Corn: Cotton Futures Ratio



2023 Cotton Outlook

Category	2021	2022	2023
Planted	11.22	13.79	11
Harvested	10.27	7.88	8.8
Yield	819	855	848
		million 480 lb bales	
Beginning Stocks	3.15	3.75	3.0
Production	17.52	14.03	15.55
Imports	0.01	0.01	0.01
Supply Total	20.68	17.79	18.6
Domestic Use	2.55	2.3	2.5
Exports	14.62	12.5	12.5
Use Total	17.17	14.8	15
Unaccounted	-0.24	-0.01	-0.01
Ending Stocks	3.75	3.0	3.6
Avg. Farm Price (cents/lb)	91.4	85.0	75-85

Key Points

- Acreage Competition with other crops
- Input Costs
- Demand Concerns
- China Taiwan
- La Nina fading?; Drought impacts

Pre-Harvest Marketing

Harvest Month Futures Contract Prices, 2007-2022, 1st Week June vs. 1st Week October

Commodity	Years Market Improved	Years Market Declined	Years of Market Declined More Than 10%	Average Price Change
Corn	4	12	9	-\$0.32
Soybeans	6	10	8	-\$0.76
Cotton	7	9	5	-\$0.03

2023 Pre-Harvest Marketing Plan for Corn

Location: Washington County

APH: 194 Acres: 500

Expected Production: 97,000

Insurance: Buy Revenue Insurance at 75% Coverage Level

Objective: Price 70,000 bushels of anticipated crop before end of June

Sale 1)	Price 10,000 bushels at \$5.95 cash price (\$6.02 futures) or before January 27th, fixed price
Sale 2)	Price 10,000 bushels at \$6.20 cash price (\$6.27 futures) or before by February 24th, fixed price
Sale 3)	Price 10,000 bushels at \$6.45 cash price (\$6.52 futures) or before by March 24th, fixed price
Sale 4)	Price 15,000 bushels at \$6.70 cash price (\$6.77 futures) or before by April 28th, minimum or fixed price
Sale 5)	Price 15,000 bushels at \$6.95 cash price (\$7.02 futures) or before by May 19th, minimum price
Sale 6)	Price 5,000 bushels at \$7.20 cash price (\$7.27 futures) or before by June 6th, minimum price
Sale 7)	Price 5,000 bushels at \$7.45 cash price (\$7.52 futures) or before by June 30th, minimum price

2023 Pre-Harvest Marketing Plan for Soybeans

Location: Washington County

APH: 61 Acres: 500

Expected Production: 30,500

Insurance: Buy Revenue Insurance at 75% Coverage Level

Objective: Price 30,000 bushels of anticipated crop before end of June

Sale 1) Price 5,000 bushels at \$12.60 cash price (\$12.61 futures) or before January 27th, fixed price

Sale 2) Price 5,000 bushels at \$13.30 cash price (\$13.31 futures) or before by March 24th, fixed price

Sale 3) Price 5,000 bushels at \$14.00 cash price (\$14.01 futures) or before by April 28th, fixed price

Sale 4) Price 5,000 bushels at \$14.70 cash price (\$14.71 futures) or before by May 19th, fixed/minimum price

Sale 5) Price 5,000 bushels at \$15.40 cash price (\$15.41 futures) or before by June 2nd, minimum price

Sale 6) Price 5,000 bushels at \$16.10 cash price (\$16.11 futures) or before by June 30th, minimum price

Price Targets – Minimum Price Objective

- Set at the local cost of production breakeven
 - If you are producing at a price significantly higher than your neighbor, you face a fundamental competitive problem
- Futures price set on an expectation of local basis at harvest
- Should you make sales below your minimum price objective?
 - Sometimes you have to minimize losses
 - Late spring/early summer decision

Price Targets – Maximum Price Objective

- Serves as the top-end price objective
- Least important part of a pre-harvest marketing plan, but needs to be *realistic*
- Use historic price changes as a guide

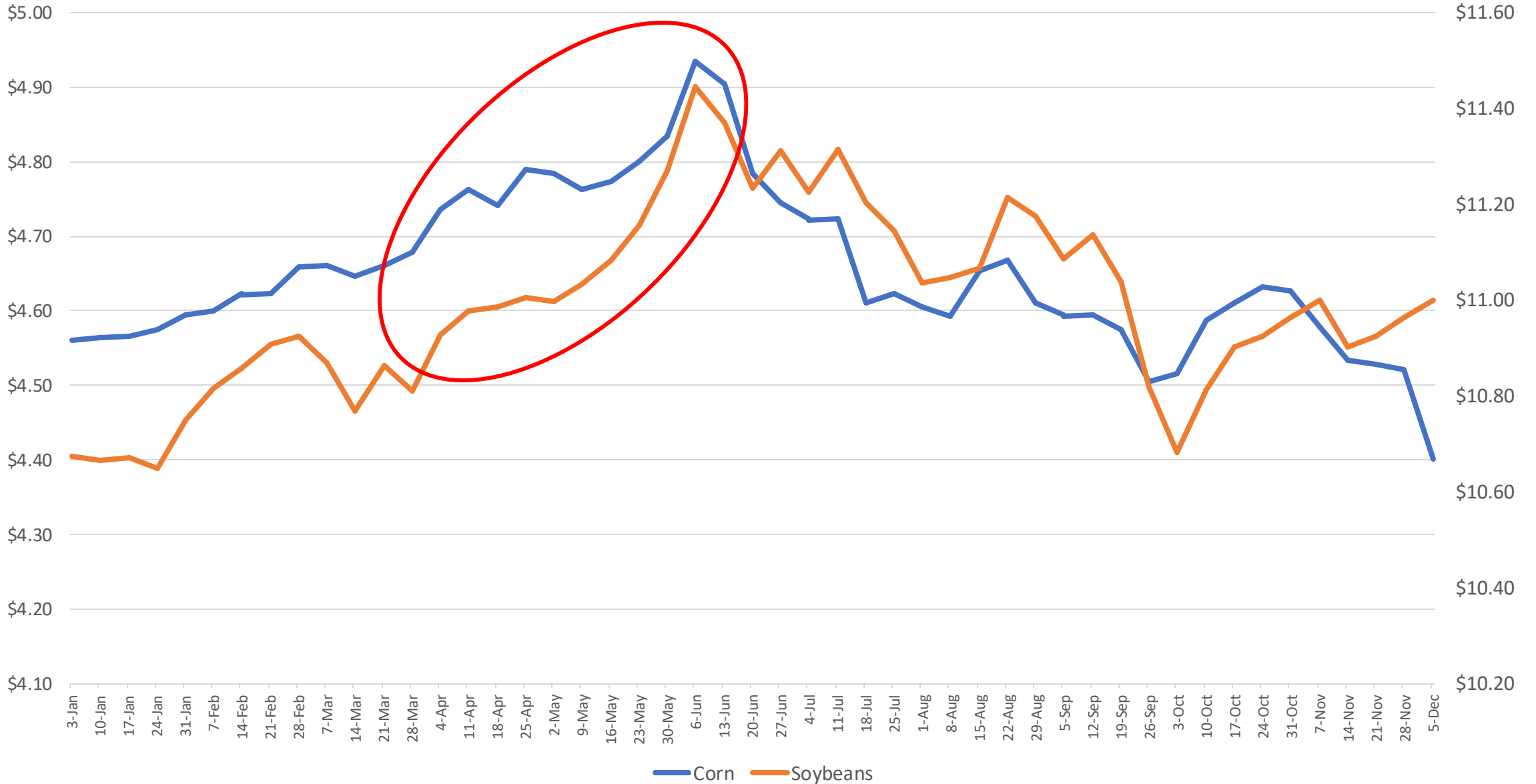
Harvest Month Futures Price Change from Jan 1. to Highest Price

<u>Year</u>	<u>Corn</u>	<u>Soybeans</u>	<u>Cotton</u>
2007	18%	49%	13%
2008	76%	65%	29%
2009	22%	12%	43%
2010	35%	33%	87%
2011	44%	21%	48%
2012	49%	44%	8%
2013	0%	2%	19%
2014	10%	9%	10%
2015	6%	1%	6%
2016	10%	30%	15%
2017	6%	4%	8%
2018	9%	4%	29%
2019	14%	3%	0%
2020	8%	17%	8%
2021	49%	46%	67%
2022	36%	27%	47%
Average	25%	23%	27%

Decision Dates

- Makes the plan proactive
- Commit to making a new crop sale, even if a price objective is not reached
- All sales made by June in my plan
 - Why?

Weekly Average Harvest Month Corn and Soybeans Futures Price: 2007-2022



Pricing Tools

- Fixed Price Tools
 - Forward Contract/Futures Hedges/ HTA contracts
 - Use on early sales when prices are typically lower
- Minimum price tools
 - Minimum price contracts; option strategies
 - Can justify premiums on the higher prices of later sales
- Keep it simple

Thanks!

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