ProfitTalk
Simple perspective on disciplined grain marketing for producers

presented by
White Commercial™ CORPORATION
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Let's Do the Math

Most of you will be close to the end of fall harvest when you read this. What a very different year for most. We started out with anticipation of increasing carryouts and lower prices, then quickly escalated into huge planting delays which brought much higher new crop prices, only to have USDA production numbers come in much higher than anticipated, tanking new crop values.

So where are you now with your marketing? It appears that plenty of grain that has been harvested or will be soon has yet to be priced. What's the plan? Do you have one? Rather than "wait and see", we would encourage you to look at your alternatives from a **"net money in my pocket"** perspective.

Here is the math:

Cost of Storage (or DP) vs Minimum Price Contact

Soybean Assumptions

Min. Storage/DP (90 Days)	$0.17
Additional Month	$0.04
Value of Money	6%
Current Cash Price	$8.20

SOYBEANS

Between Oct 15 and:	Feb 15		Apr 15		Jun 15	
	Storage	MPC	Storage	MPC	Storage	MPC
Minimum	$0.17		$0.17		$0.17	
Additional	$0.04		$0.12		$0.20	
Value of Money	$0.16		$0.25		$0.33	
Total Cost	**$0.37**	**$0.32**	**$0.54**	**$0.38**	**$0.70**	**$0.45**

Corn Assumptions

Min. Storage/DP (90 Days)	$0.15
Additional Month	$0.03
Value of Money	6%
Current Cash Price	$3.35

CORN

Between Oct 15 and:	Feb 15		Apr 15		Jun 15	
	Storage	MPC	Storage	MPC	Storage	MPC
Minimum	$0.15		$0.15		$0.15	
Additional	$0.03		$0.09		$0.15	
Value of Money	$0.07		$0.10		$0.13	
Total Cost	**$0.25**	**$0.13**	**$0.34**	**$0.18**	**$0.43**	**$0.20**

Storage/DP

Pros	Upside price potential
Cons	Downside price risk, no cash flow until sold, fees increase over time

MPC

Pros	Upside price potential, cash flow when you want it, known fixed cost
Cons	Known fixed cost

These are actual numbers as of the printing date for this newsletter. We'd be more than happy to run current numbers for you at any time.

Here's an explanation of how Minimum Price Contracts work from the producer standpoint.

Minimum Price Contracts

Quick Reference for Producers

Minimum Price is a way to stay in the market for a rally that provides a price floor and immediate cash flow.

Here's how it works.

Step 1

Sell the grain
The cash price minus the contract fee is your minimum price. You will never receive less than this price. You can take payment upon delivery or defer it – your preference.

Step 2

Stay in the market for a futures rally
You will be eligible to receive any increase above a certain futures price between the day you sell and the contract expiration date. Contract fee depends on how long you want to stay in the market. When you price the contract, you receive the increase in futures immediately.

EXAMPLE

Elevator corn bid:	$3.30
Contract fee:	$0.19
Your Minimum Price:	$3.11

You are in the market to receive any increase in May 2019 futures above $3.80 between now and April 26.

Scenario 1: The Market Rallies
On March 15 May 2019 corn futures are trading $4.30. You price the contract and receive an additional 50¢ (rally from $3.80 to $4.30).

Scenario 2: The Market Drops
By April 26 May 2019 futures are $3.20. The contract expires and there is no money added to your Minimum Price.