

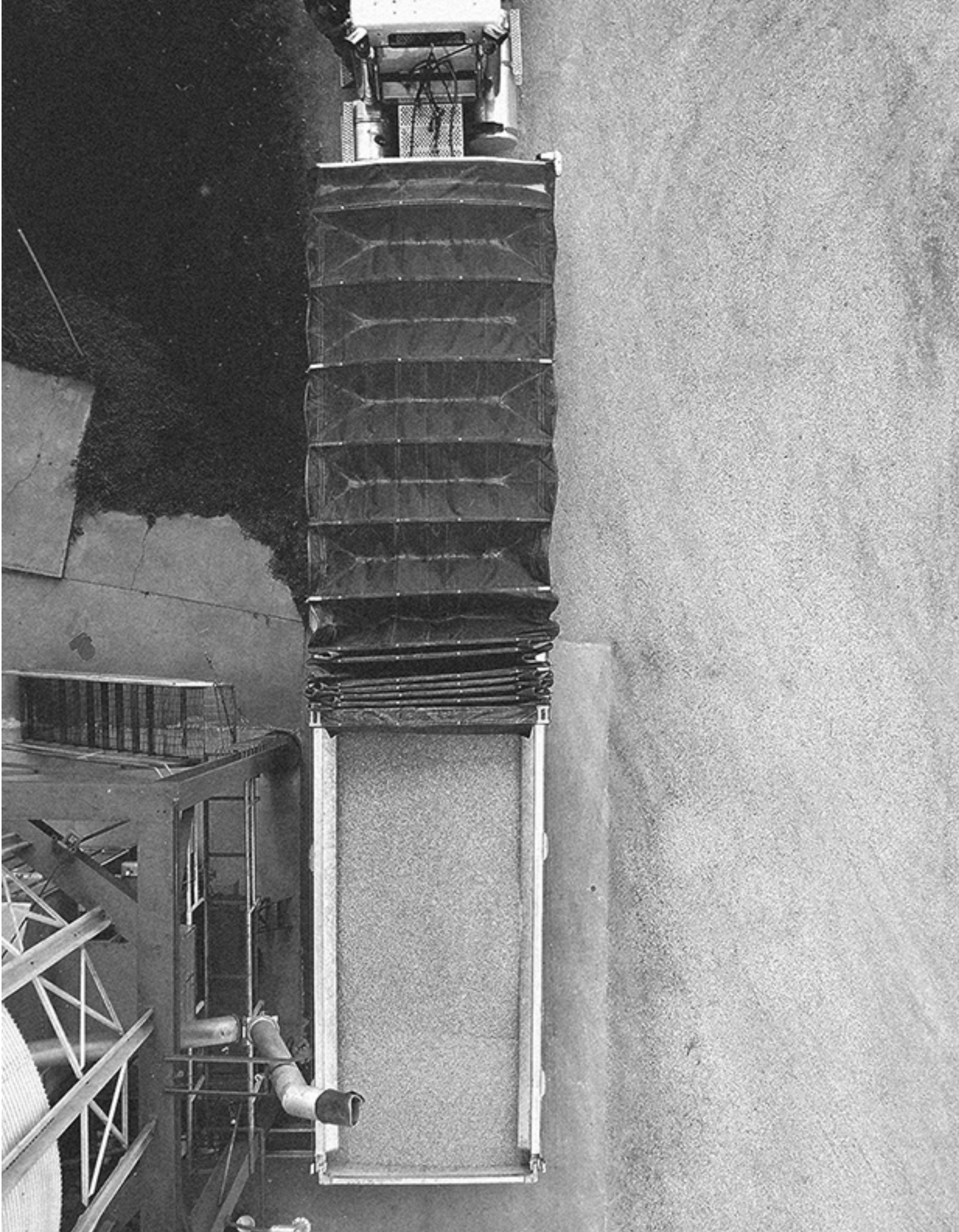


2017

# State of Grain Marketing

How more than 1,000  
farmers market their grain

**FarmLogs**



# How are growers marketing their grain?

High production, unpredictable weather, and volatile markets are making it harder than ever to farm profitably. With so many challenges, growers need to focus on financial management and grain marketing in order to improve the profitability of their operations.

We surveyed over 1,000 growers to identify trends in how grain is being marketed by modern day U.S. farms. Read ahead and see how your grain marketing strategy compares.



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# Challenges

Over the past decade, growers have been facing the challenge of running a profitable operation in the face of low crop prices and high production costs.

**66%** of growers said that crop prices are one of their biggest challenges.

**53%** of growers said that inputs costs are one of their biggest challenges.

## What's gotten harder in the past 10 years?

*"Prices and market"*

– WHEAT GROWER, IDAHO

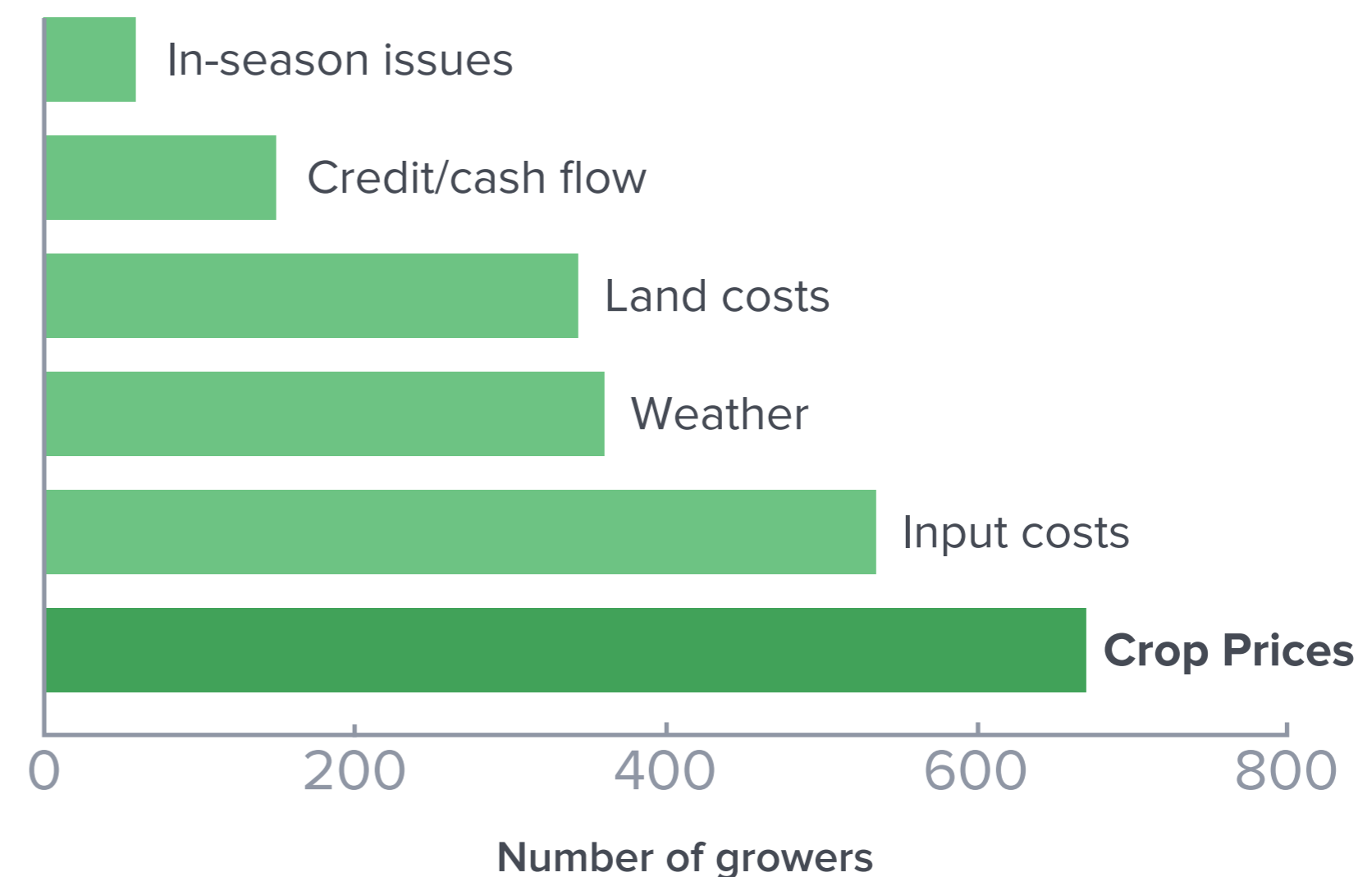
*"Shrinking profit margins from increasing costs of inputs"*

– CORN, SOYBEAN, & WHEAT GROWER, INDIANA

*"Volatility in the markets and tight margins"*

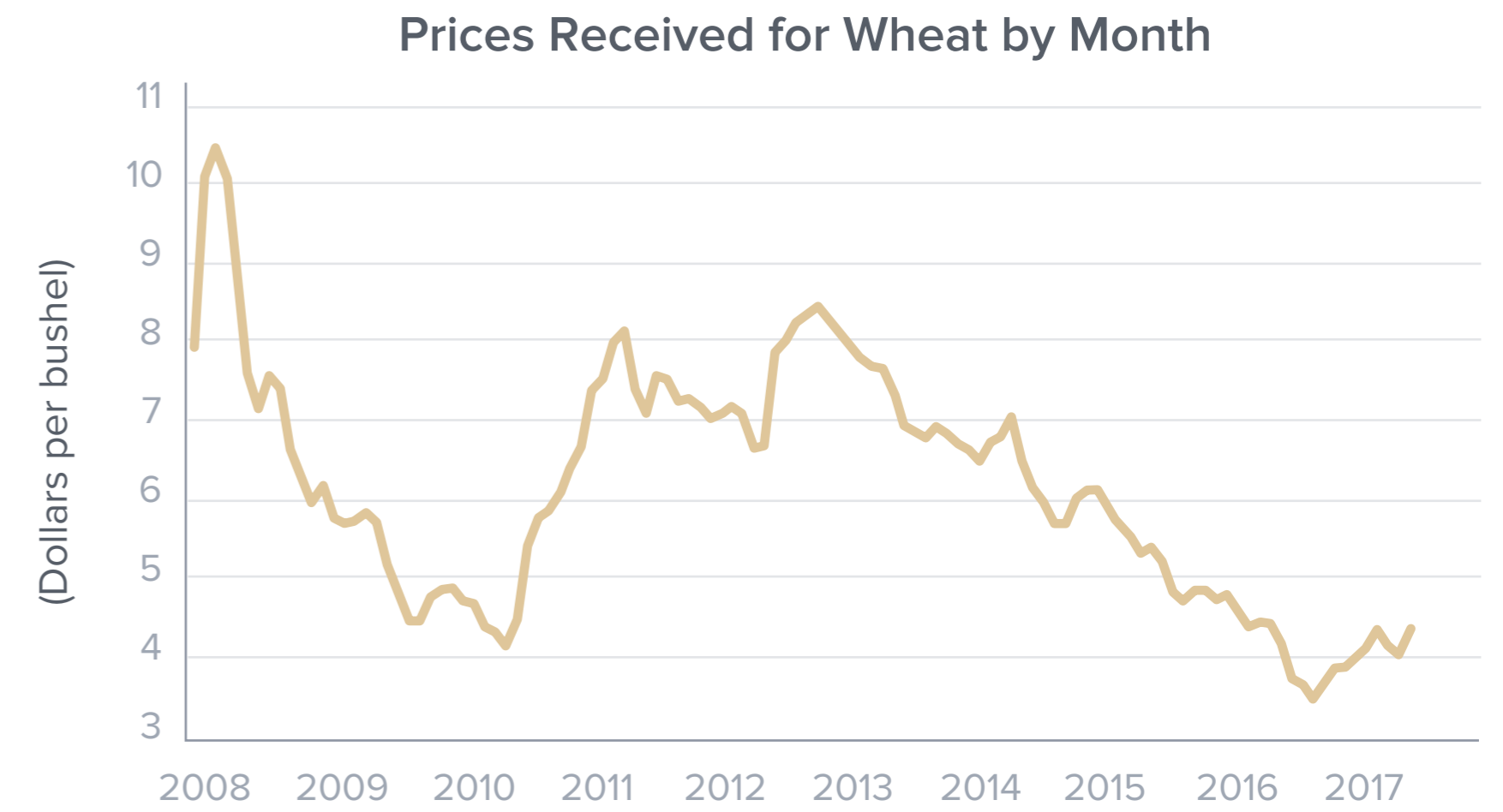
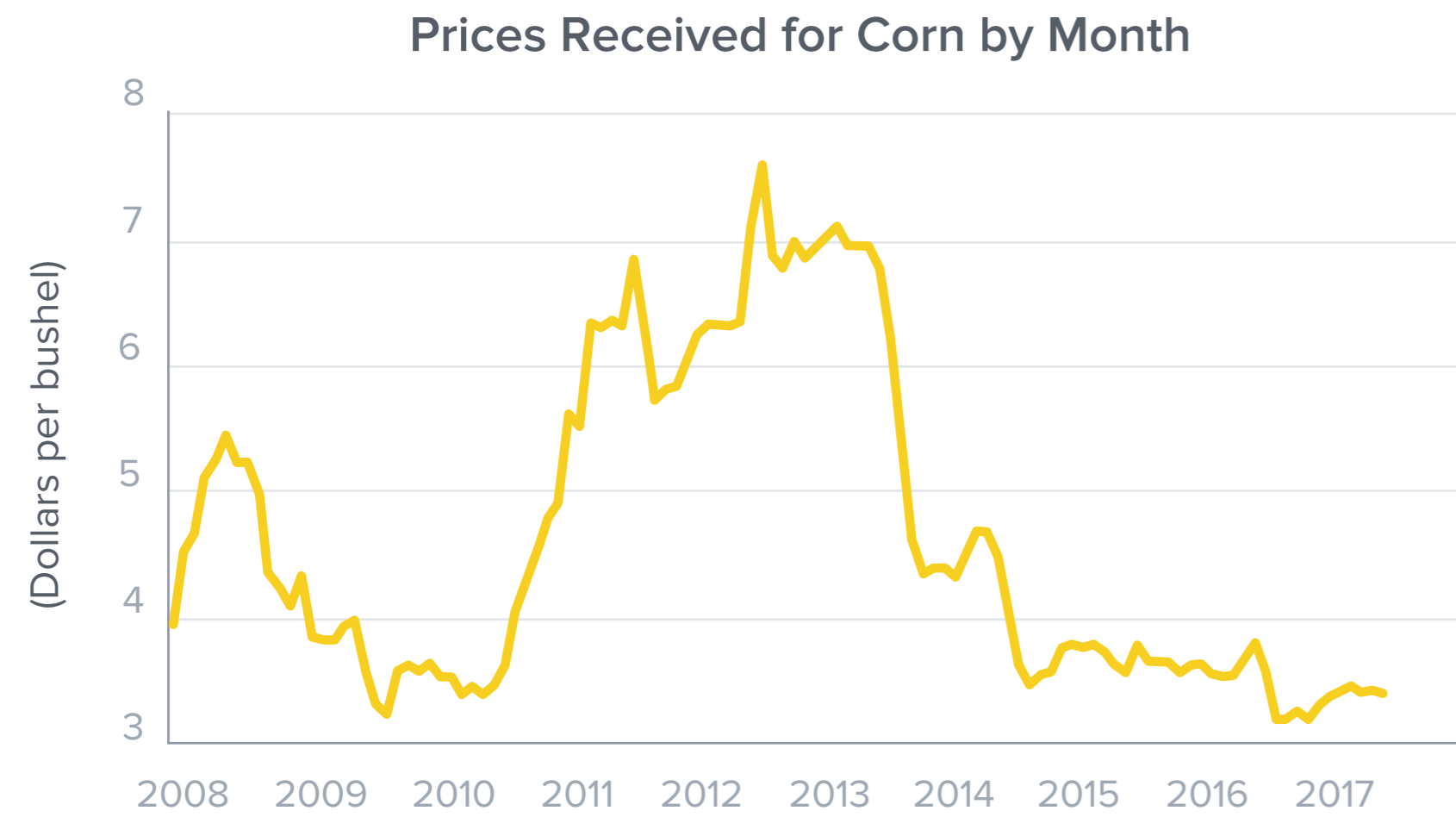
– CORN, SOYBEAN, & ALFALFA GROWER, NEBRASKA

### GROWERS BIGGEST CHALLENGES IN THE LAST TEN YEARS



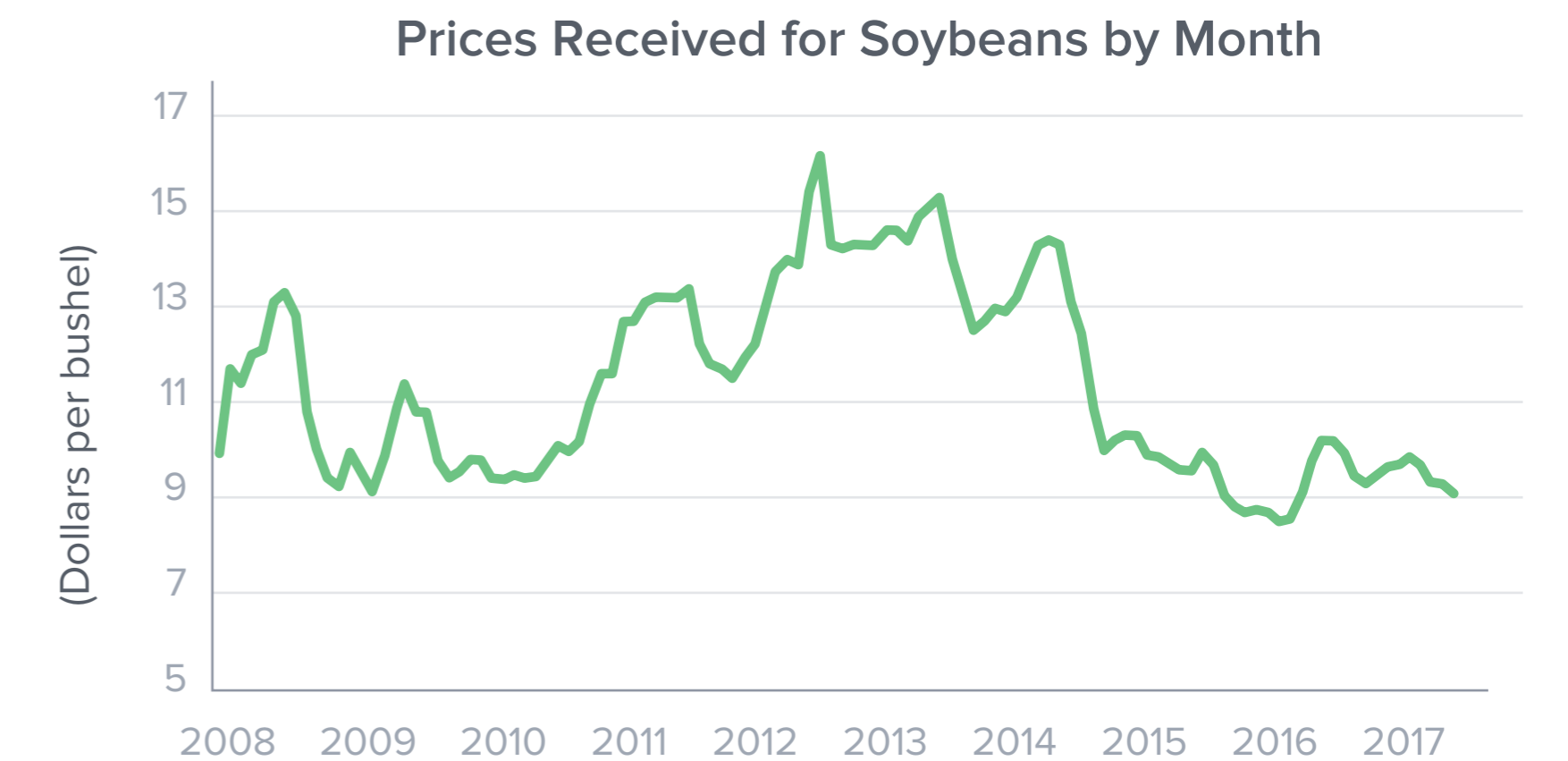
# Low commodity prices

For nearly the last five years corn, wheat, and soybean prices have been declining.



**AVERAGE CROP PRICE RECEIVED IN 2016**

<b>\$3.47/bu</b>	<b>\$4.10/bu</b>	<b>\$9.39/bu</b>
CORN	WHEAT	SOYBEANS

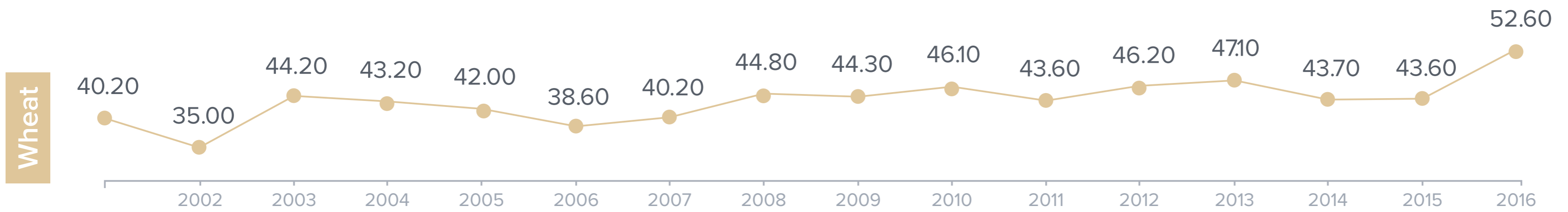


SOURCE: USDA, July 2017, Agricultural Prices

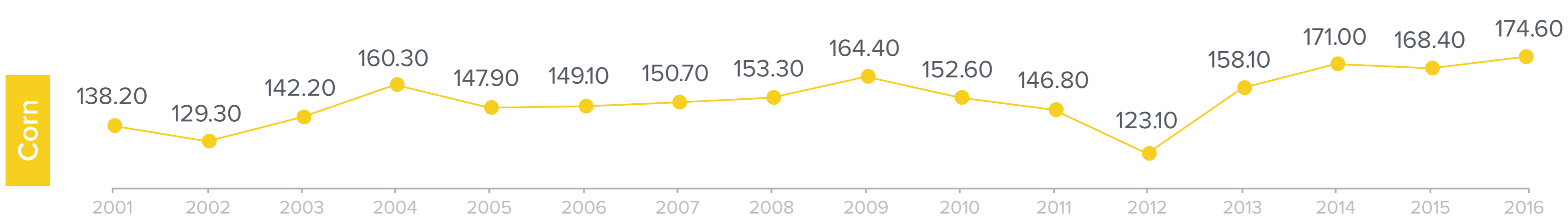
# Production increases

Although fluctuating, production rates have been slowly on the rise and are a contributing factor to low commodity prices.

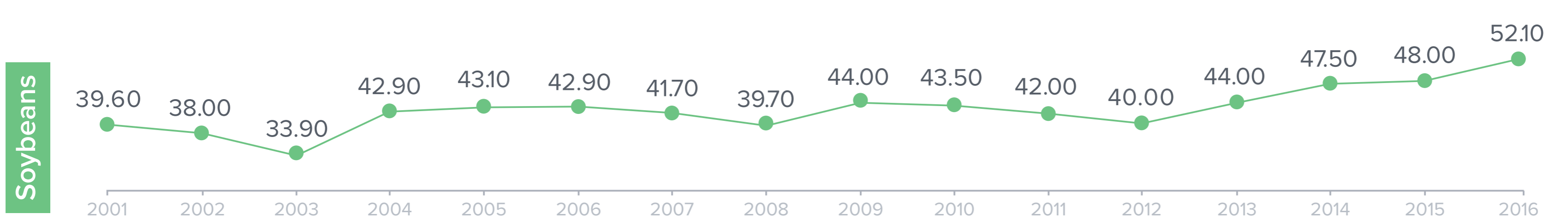
**YIELD MEASURED IN BUSHEL/ACRE**



**12.4**  
bu/acre difference in the average wheat yields from 2001 to 2016.



**36.4**  
bu/acre difference in the average corn yields from 2001 to 2016.



**12.5**  
bu/acre difference in the average soybeans yields from 2001 to 2016.

SOURCE: USDA, May 2017, Yield – Measured in Bushels / Acre – United States

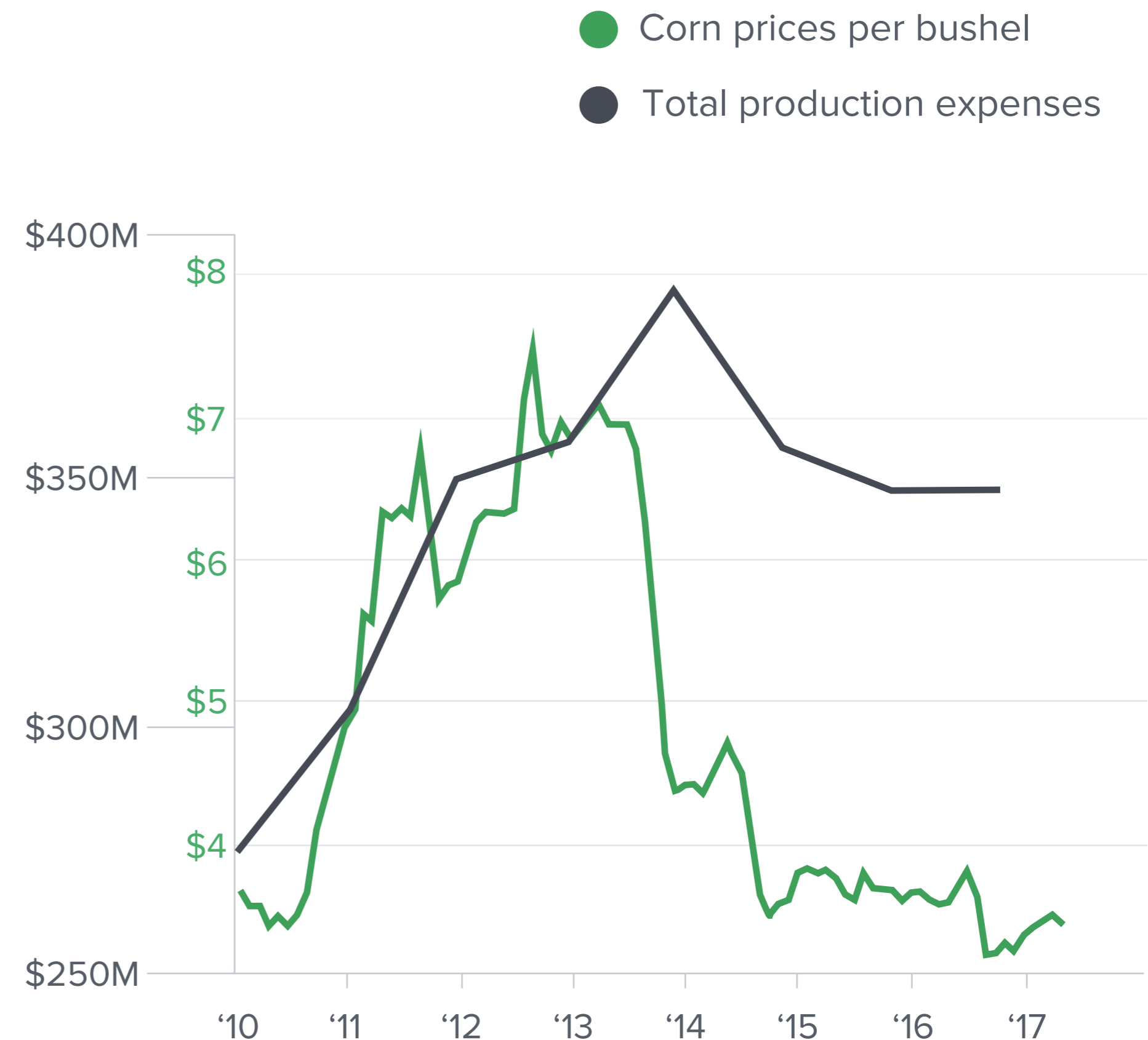
# Know your costs

When it comes to finances, many growers face the challenge of running a profitable operation during this time of low crop prices, high input costs, and difficulties in managing cash flow.

**\$3.54** less per bushel of corn in June 2017 than in June 2013, when corn prices were at \$6.97/bu.

**\$72M** difference of predicted production expenses for 2017 compared to expenses in 2010.

PRICES RECEIVED FOR CORN BY MONTH AND TOTAL PRODUCTION EXPENSES BY YEAR – UNITED STATES



SOURCE: USDA – NASS, May 31, 2017

## Tracking expenses

While record keeping has always been an integral part of any operation, it is now vital for growers to keep detailed records in order to better understand their true cost of production and break even number. Despite this, many growers still use only pen and paper to keep track of their operational records.

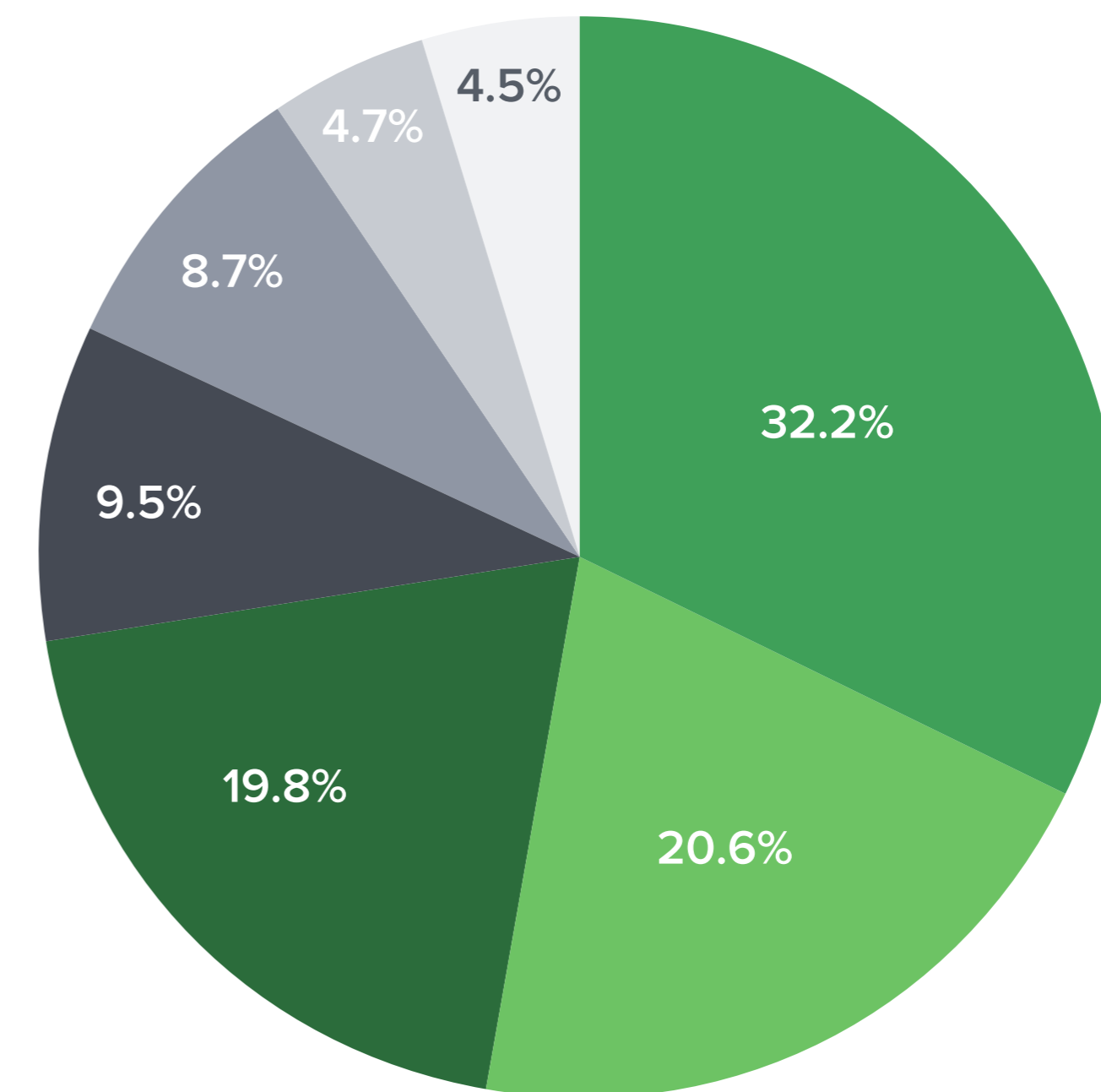
**32%** of growers are tracking their finances using only a spreadsheet tool.

**20%** of growers are tracking their finances using a farm management tool only.

**19%** of growers are tracking their finances using only a pen and paper.

### HOW DO YOU KEEP TRACK OF EXPENSES?

- Spreadsheet tool only
- Farm management tool only
- Pen and paper only
- Combo of spreadsheet and farm management tool
- Combo of pen/paper and spreadsheet
- Combo of pen/paper and farm management tool
- All three: pen/paper, farm management tool and spreadsheet





# Grain marketing and sales

Growers are faced with an environment where margins are tight, and protecting profit is top of mind. To mitigate risk, growers are starting to adopt a more proactive approach to grain marketing.

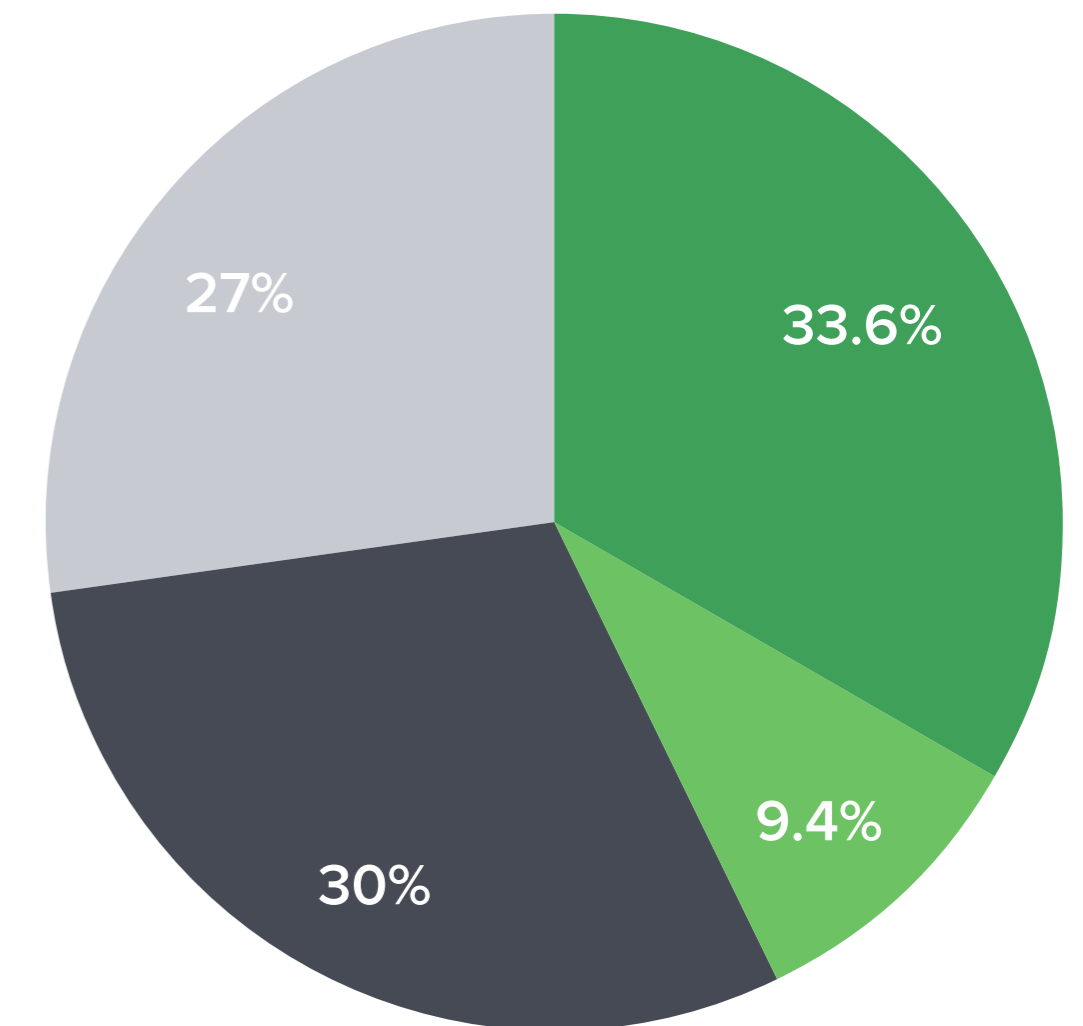
**57%** of growers report using risk management tools to gain an advantage in the market.

**33%** of growers use only cash sales after harvest.

**29%** of growers forward contract more than half of their grain.

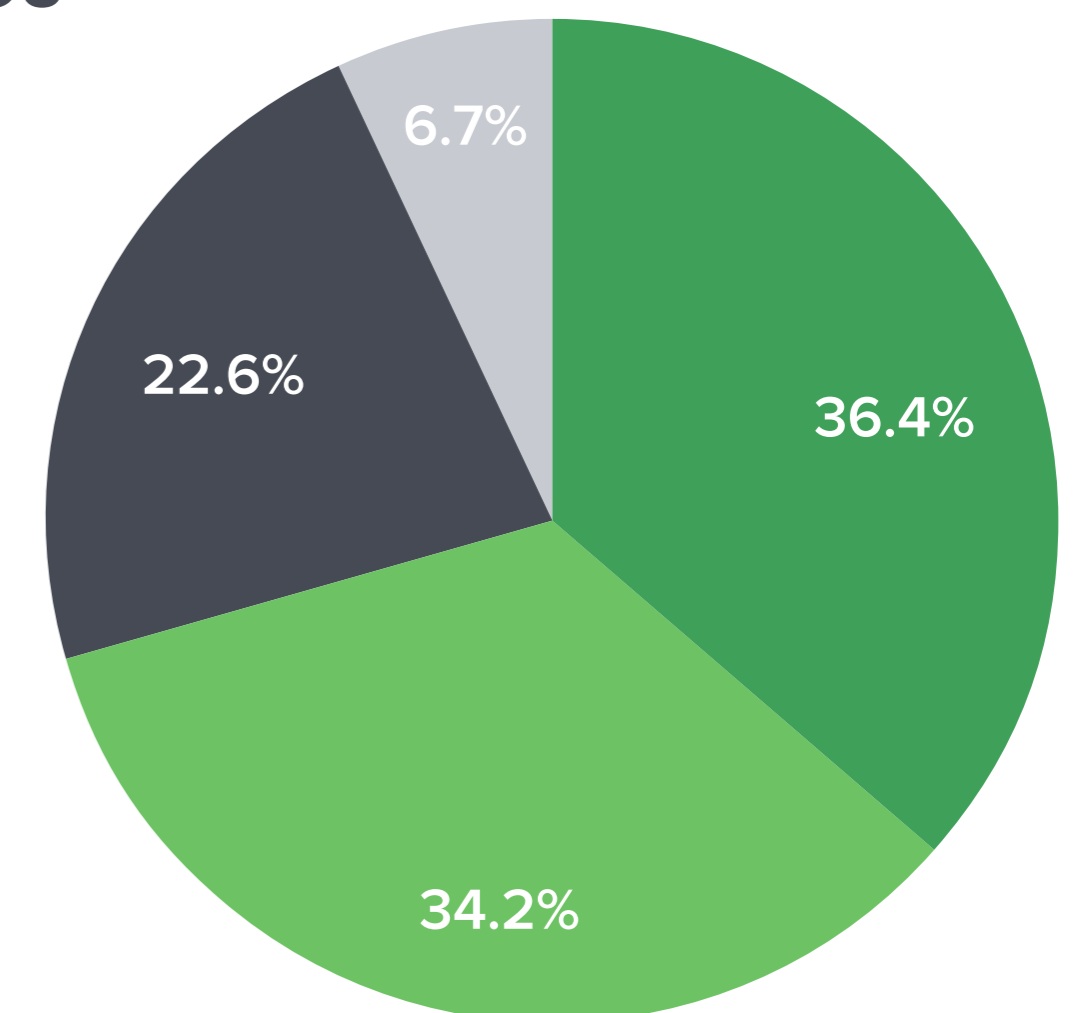
## APPROACH TO GRAIN MARKETING

- Cash sales after harvest
- Forward contracting before harvest with no paper contracts
- Forward contracting before harvest with paper contracts
- Forward contracts, futures, and options



## WHAT PERCENTAGE DO YOU ANTICIPATE FORWARD CONTRACTING?

- Less than 20%
- 21% – 50%
- 51% – 70%
- 71% or more



## Marketing decisions

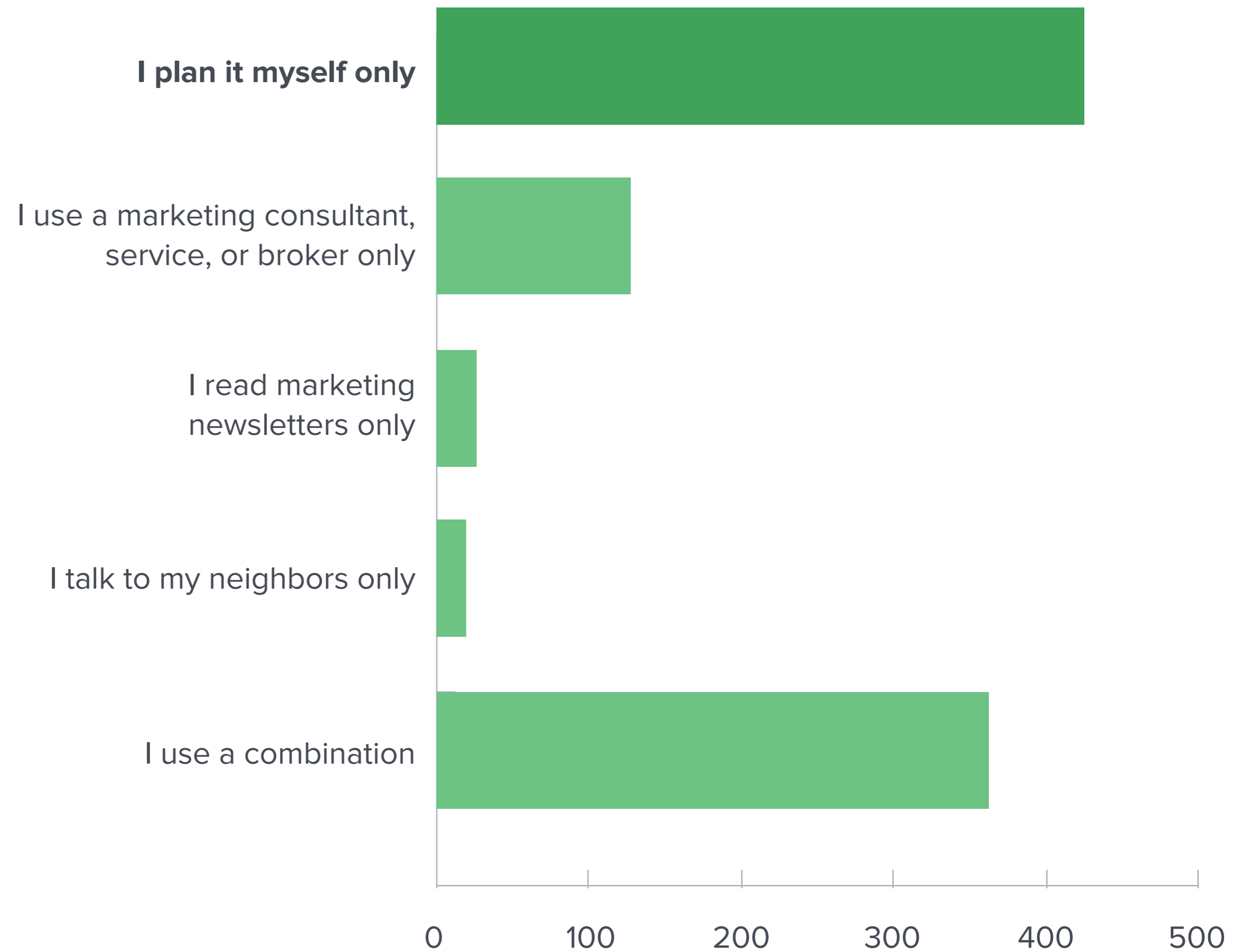
Having a plan is the first step for growers to maximize their crop prices and profits, yet many growers aren't taking full advantage of the resources that can help them more easily manage and develop a marketing strategy.

**42%** of growers make grain marketing decisions solely on their own.

**12%** of growers use only a consultant, service, or broker to make grain marketing decisions.

**35%** of growers use a combination of ways to make marketing decisions.

### HOW DO YOU MAKE YOUR GRAIN MARKETING DECISIONS?



## Managing risks

Many growers do not use futures and options in their grain marketing strategies. With the rising difficulty in running a profitable operation, diversification is key in mitigating risk and securing more stable profits year-round.

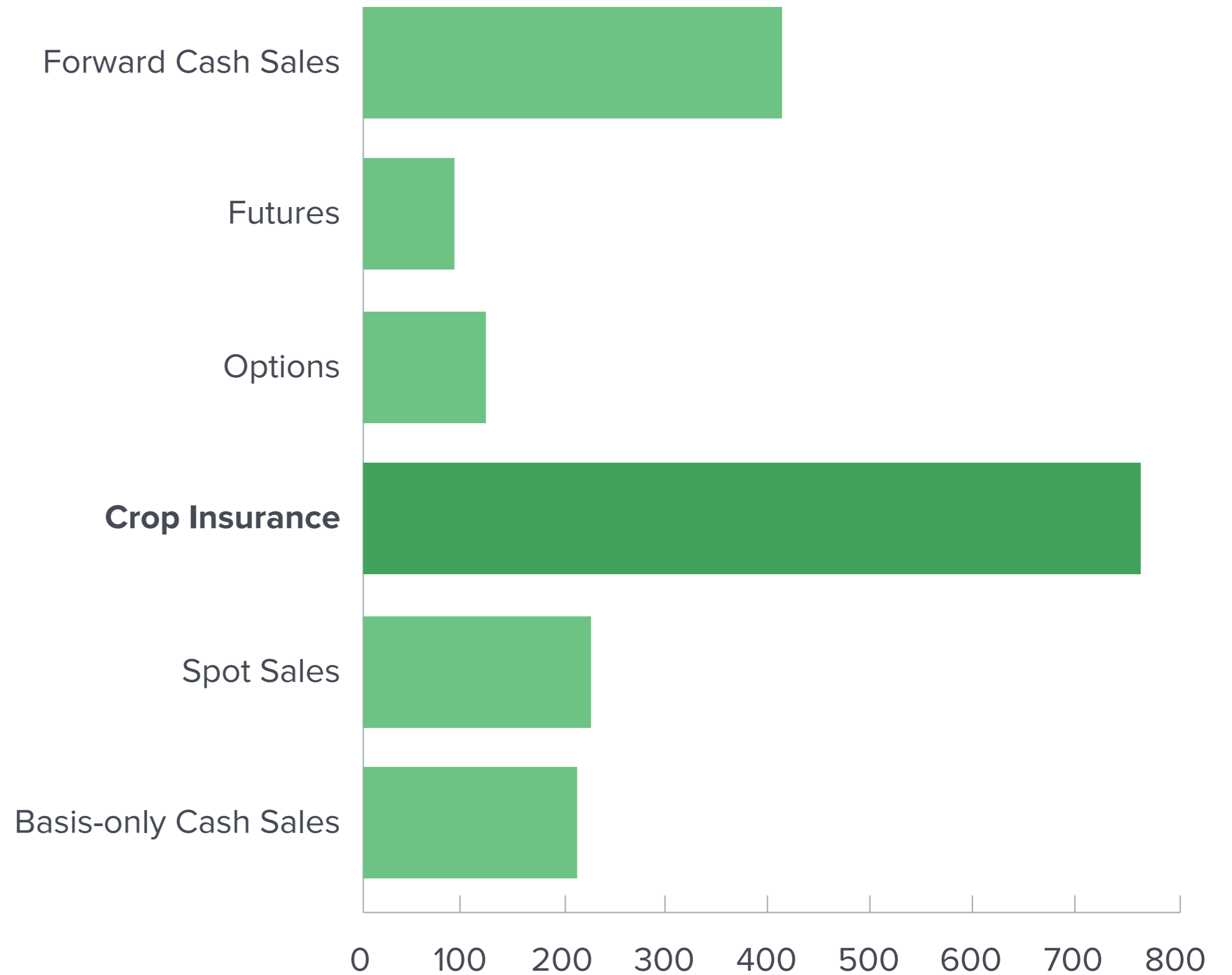
**75%** of growers say that crop insurance is one of the ways they manage risk.

**91%** of all corn acres planted in 2010 were covered with crop insurance.\*

**91%** of all soybean acres planted in 2012 were covered with crop insurance.\*

\*SOURCE: USDA, 2017, Crop Production Practices

### WHAT TOOLS DO YOU USE TO MANAGE YOUR RISK AND MARKET YOUR GRAIN?



## On-farm storage and marketing

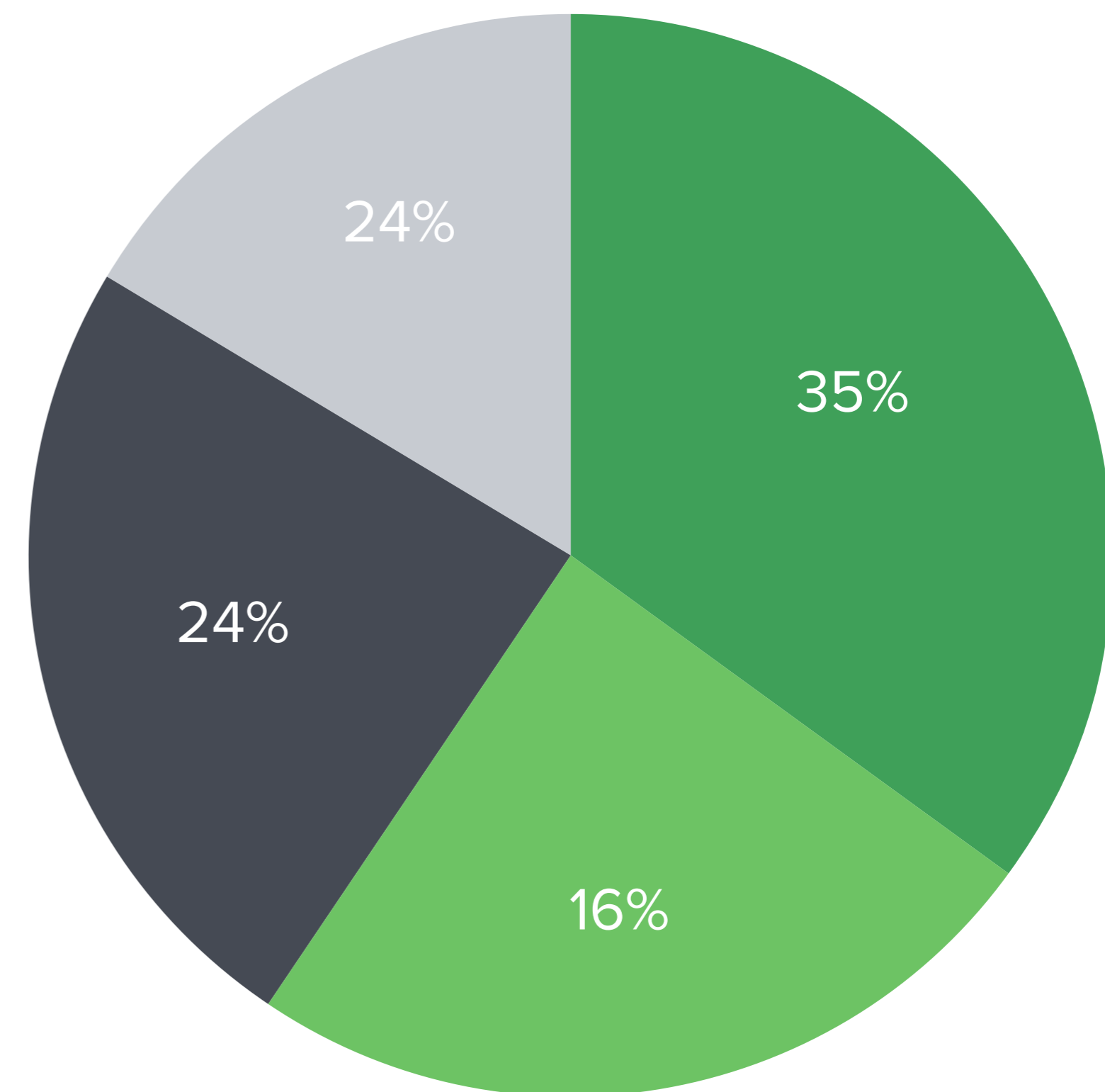
Developing a more progressive grain marketing strategy often requires the ability to store your grain for longer periods of time. In 2014, 55% of the United States' grain storage capacity was on-farm.\*

**75%** of growers surveyed have on-farm storage capacity for at least a small portion of their crop.

**16%** of growers surveyed have on-farm storage capacity for all of their grain.

### PERCENT OF GRAIN THAT YOU HAVE STORAGE CAPACITY

- Most of my crop
- All of my crop
- A small portion of my crop
- None of my crop



\*SOURCE: USDA, On-Farm Storage Capacity - States and United States: December 1, 2013 and 2014

## Marketing approach based on grain storage

Growers' grain storage capabilities have a direct impact on how they choose to market their grain. Typically, growers who have more on-farm storage capabilities more heavily rely on forward contracting, as opposed to cash sales, to market their grain.

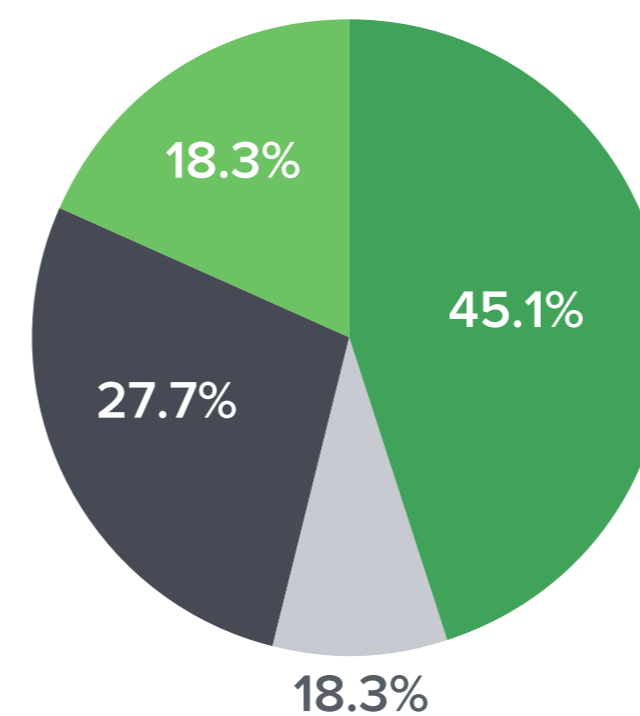
**45%** of growers with no on-farm storage capabilities market their grain through cash sales after harvest.

**20%** more growers who can store all of their grain on-farm use forward contracts, futures, and options, than growers who have no on-farm storage capabilities.

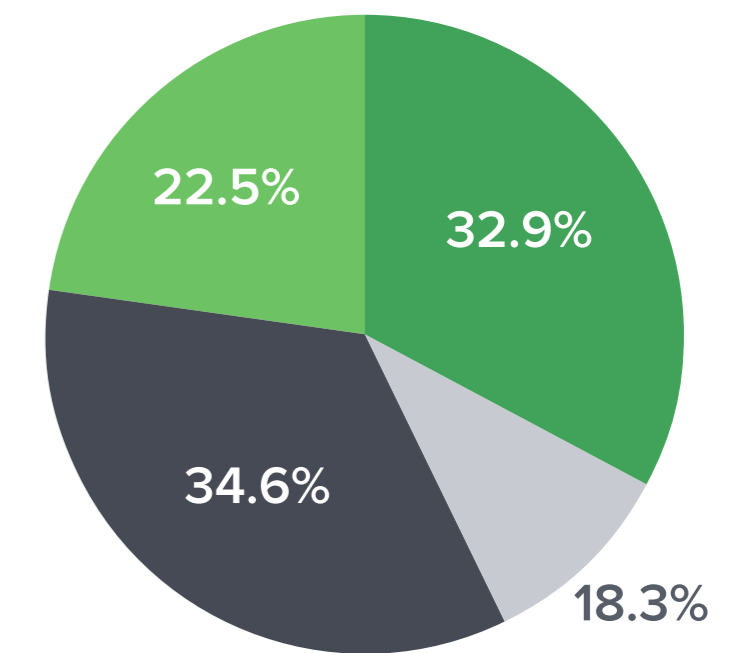
### WHAT PERCENT OF YOUR CROP DO YOU HAVE STORAGE CAPACITY FOR?

- Cash sales after harvest
- Forward contracts, futures, and options to gain and advantage in the market
- Forward contracting before harvest, with no paper contracts
- Forward contracting before harvest, with some paper contracts

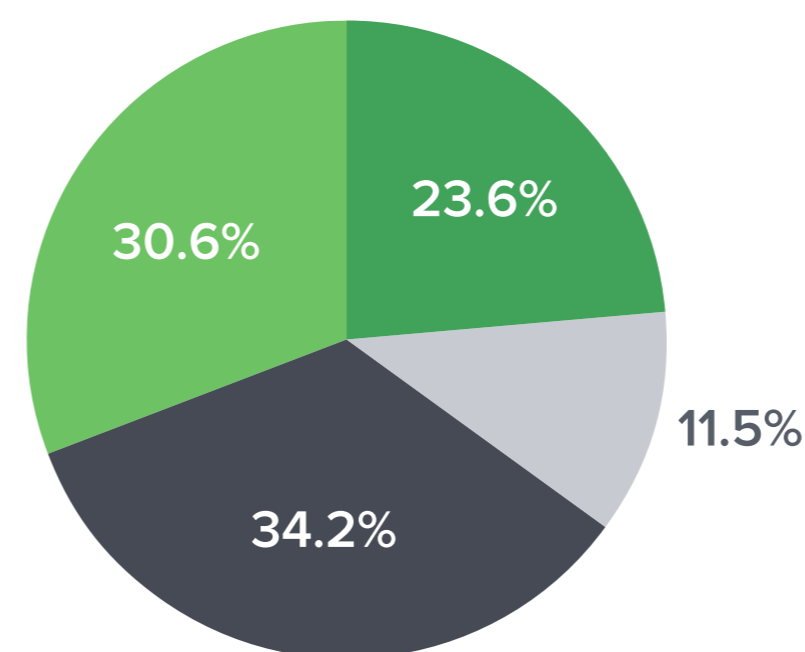
STORAGE FOR NONE



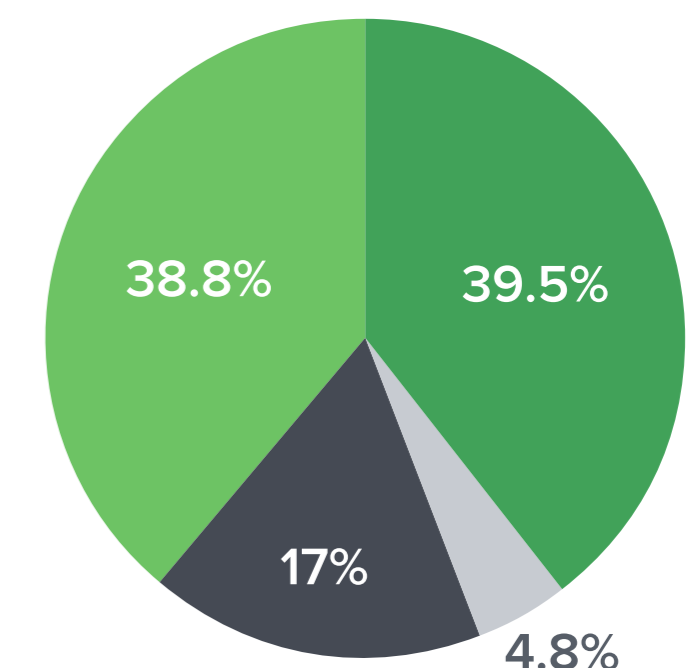
STORAGE FOR SMALL PORTION



STORAGE FOR MOST OF IT



STORAGE FOR ALL OF IT





“What we're really trying to do is figure out our cost of production, and then see how that compares to today's market price. The philosophy behind it is that if we could get a base hit, we'll do that. If we get enough base hits, we'll win the game.”

– CORN, SOYBEAN & WHEAT GROWER, WISCONSIN