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Grain Marketing Workshop

Marketing grain on the futures is not straight forward, however, entirely necessary to maximize profit in grain commodities. Of all the hats that farmers have to wear, apparently stock market broker is one of them. Right now there are a lot of interesting things going on with the grain commodity markets, prices and bases stronger than they have been for years, however they have also been fairly volatile. Selling and buying the grain futures requires knowledge, foresight, and no small amount of luck. We can't help much with the luck but on December 8th at the Neosho County Fairground in Erie we will have a Winning the Game: Grain Marketing Workshop from 9:30 am to 2:30 pm. This is going to be an intensive training workshop for producers how to make a 2021 marketing plan, use marketing tools, and taking advantage of seasonal fluctuations. K-State Research and Extension Economist Dr. Dan O'Brien and Kansas Farm Bureau Director of Commodities Mark Nelson will be teaching this intensive, in-person workshop. We have to limit this workshop to 40 people for COVID protocols. Please call the Erie (620-244-3826) or Girard (620-724-8233) Extension office to sign up.

If you are like me, you have an idea of what some terms and concepts of grain marketing are, but have no idea really what it means or how to put it together. The "how" of marketing involves understanding terms and concepts that is another language of its own and ag commodities have its own subset of terms and concepts. A futures contract is an agreement between a buyer and seller for delivery of a commodity at a specific time and price. However, most future contract don't end in an actual physical delivery of a commodity. Most contracts are either sold or bought back in a cash transaction. A contract value is the bushel or cwt times the price. A decrease in price, and therefor contract value, is a loss for someone who purchased a futures contract, but a gain for someone who previously sold a contract. (Note a "long" is a contract buyer and a "short" is a contract seller.) A trader of a future contracts must put in a money deposit called an initial margin deposit to insure the contract is guaranteed.

Some other terms commonly used: market order, which is an order to buy or sell a contract at the current available price; limit order, an order to buy or sell a contract at a specifically set price if the market gets to that price; and stop order, an order to buy or sell at the market price once it has reach a certain specified price. A limit order and stop order are similar, but a stop order can occur at a price significantly different then the stop price because trades aren't instant, especially between close and open of different market days.

From the farmer's perspective the market can be used as a working hedging system. This works by selling a futures contract ahead of harvest, and then selling the grain as cash at the elevator during harvest and buying the future contract back. The net sale price being the cash grain at the current price, plus or minus the future transaction. The futures can also be used as a way of seeing what the market's opinion of what a commodity's value will be when the future contract expires.

However, understanding how the future markets works is different than understanding how to make the market for you. The Winning the Grain Game workshop in Erie on December 8th is intended to address both of those issues. If there is any concept error in this article, I would not be surprised. I plan on being at the workshop learning too so I hope that you will join me for this unique opportunity we have.

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