How to develop a rock-solid grain marketing plan

by StoneX

As a producer, you're the CEO of your own company. It's your responsibility to maximize each crop's potential and competently align risk to reward. While this task is much easier said than done, accomplishing it successfully is the name of the game.

However, there's good news. Through a little due diligence, you can develop a robust grain marketing plan. By addressing your yields, contracting, and crop pricing, you can routinely avoid most uncertainties.

Production Estimates

As in most commodity-based industries, production is profitability in the ag sector. Accurately estimating crop yields is the first step in building any marketing plan. If you're going to manage risk and maximize reward, you must first know what a healthy harvest looks like.

In practice, projecting crop yields with precision is a challenge. Here are a few items that can help remove much of the guesswork from the process:

- Planting efficiency: Examining planted acres versus damaged acres is the first step in projecting harvest strength. Significant planting delays and limited acreage are two areas that may severely undermine output.
- Historical performance: A simple look at the yields of past years with respect to planting conditions can be useful in establishing a baseline for this season's expectations. As the planting and growing seasons unfolds, comparisons to historical norms are vital to projecting the coming harvest's strength.

Understanding what a normal planting and crop looks like is a good first step in estimating yields. Barring outliers, this analysis is capable of generating viable ballpark production figures.

Crop Contracting

When it comes to selling your crop before it's in the silo, there are no steadfast rules.

The idea of locking in profit is tempting; however, doing so does comes with a collection of opportunity and real costs. A key part of any solid grain marketing plan is determining how much product to take to market and how much to sell in the field.

The reality of contracting your crop ahead of time is that production estimates must be spot-on. If your crop falls short of contract obligations, then making up the difference will dip into profits. Conversely, grain spot prices are historically lower come harvest time; locking in prices at seasonal highs typically involves premature contracting.

To successfully walk the contracting tightrope, the key is to remain flexible. By making incremental commitments, you'll be able to modify your marketing plan as the growing season dictates.

Incorporate Futures into Your Price Targets

After production estimates are completed and contract percentages determined, it's time to incorporate pre-harvest price targets into the grain marketing plan. It's imperative that price targets for your crop are realistic and attainable. While shooting for the stars may be attractive, there are no guarantees that the markets will support ambitious pricing. A great way to ensure that your pricing targets are strong is to calculate your per-bushel production costs. This figure is extremely valuable in determining the crop's break-even point, which may then be directly compared to current spot and futures pricing. The difference between figures is essentially the available profit — whether to lock it in on the futures or spot markets then becomes the decision at hand.

Need Help Building Your Own Grain Marketing Plan?

At first glance, building a strong grain marketing plan can appear to be a daunting task. Predicting yields, developing sales plans, and pricing crops are delicate undertakings that directly influence profitability. In order for your plan to be rock-solid, these numbers must be grounded in reality and as accurate as possible.

The good news is that you don't have to go it alone. If you're searching for customized marketing options, look no further than the resources available at our partner, StoneX. Featuring a team of dedicated pros, StoneX has everything you need to get the most from your harvest.