Prices, Storage, and Managing Price Risk

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Marketing Meeting

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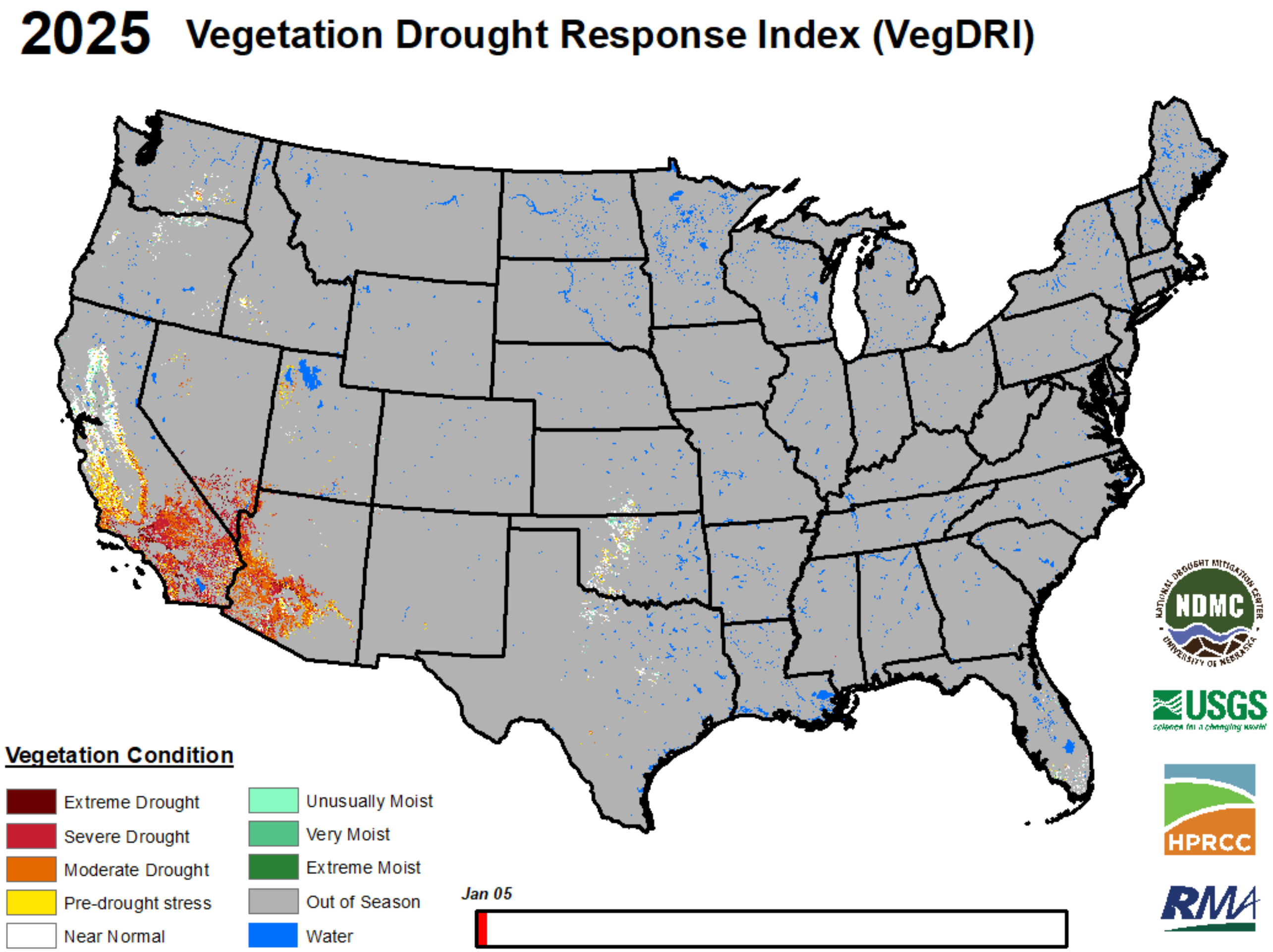
Overview

- Macro data, commodity prices and input prices
- Futures Prices
- Basis
- Storage and interest costs
- Pricing strategies with Storage



Economic Indicators

Indicator	Unit	Current Measure	Previous Reporting Period	Previous Year
GDP Growth Rate	%	3.8%	-0.6%	3.6%
US Trade Deficit	Billion $	78.3	59.1	78.6
Government Expenditures	Billion $	7,496	7,313	6,954
Inflation Rate	%	3.0%	2.9%	2.4%
Bank Prime Rate	%	7.00%	7.3%	8.5%
Unemployment Rate	%	4.3%	4.2%	4.2%
Labor Force Participation Rate	%	62.3%	62.2%	62.7%
USD Index	Index	99.6	98.7	106.6
DJIA	Index	47,061	45,479	44,293
S&P	Index	6,788	6,552	6,001
NASDAQ	Index	23,376	22,204	19,299
Personal Consumption Expenditures	Billion $	21,112	20,983	20,001
Retail Sales	% MoM	0.60%	0.60%	0.80%
Existing Home Sales	Million	4.06	4	4.03
Housing Starts	Million	1,307	1,429	1,391
Credit Card Delinquency	%	12.4%	12.3%	11.1%
Auto Loan Delinquency	%	5.0%	5.0%	4.6%
Mortgage Delinquency	%	0.8%	0.8%	0.7%
Federal Deficit	Billion $	1,775	1,973	1,833
Federal Debt	Trillion $	38.12	37.86	35.87
Customs Duties	Billion $	165.19	135.69	69.79

Negative
Positive
No Change

Commodity and Input Prices

Commodity	Source	Current	Previous Month	Previous Year	% Change Month	% Change Year	3-Year % Change
Corn	Futures	4.28	4.13	4.3	3.6%	-0.5%	-35.7%
Soybean	Futures	11.26	10.06	10.22	11.9%	10.2%	-21.6%
Wheat	Futures	5.33	4.98	5.65	7.0%	-5.7%	-34.4%
Cotton	Futures	64.02	63.84	72.2	0.3%	-11.3%	-20.2%
Soybean Meal	Futures	318	275	295	15.6%	7.8%	-21.7%
Class III Milk	Futures	17.05	16.21	21.45	5.2%	-20.5%	-16.1%
Lean Hogs	Futures	81.625	84.025	81.775	-2.9%	-0.2%	-7.8%
Live Cattle	Futures	227.9	242.5	183.7	-6.0%	24.1%	47.0%
Feeder Cattle	Futures	328.8	375.9	242.2	-12.5%	35.8%	84.4%
Whole Broiler*	LMIC	106.69	107.28	130.14	-0.5%	-18.0%	NA
Crude Oil	Futures	59.82	58.48	68.04	2.3%	-12.1%	-21.6%
Natural Gas	Futures	4.299	3.106	3.126	38.4%	37.5%	-41.4%
Urea	DTN	598	619	497	-3.4%	20.3%	-27.6%
UAN-32	DTN	466	474	363	-1.7%	28.4%	-31.5%
Potash	DTN	487	486	446	0.2%	9.2%	-43.2%
DAP	DTN	927	904	739	2.5%	25.4%	-0.3%

Definitions

- Cash price – The price received for immediate delivery of a specific quantity and quality of a commodity.

- Futures price – The price of a futures contract determined by open competition between buyers and sellers on a futures exchange.

- Basis – The difference between the cash price for a commodity at a specific location and its associated futures price at a specified exchange.

- Cash Price = Futures Price +/- Basis.

Definitions

- Nearby Futures Contract – The active futures contract closest to the current date.

- Deferred Futures Contract- Any contract that has a later expiration date compared to the closest, or "nearby," contract for the same underlying commodity.

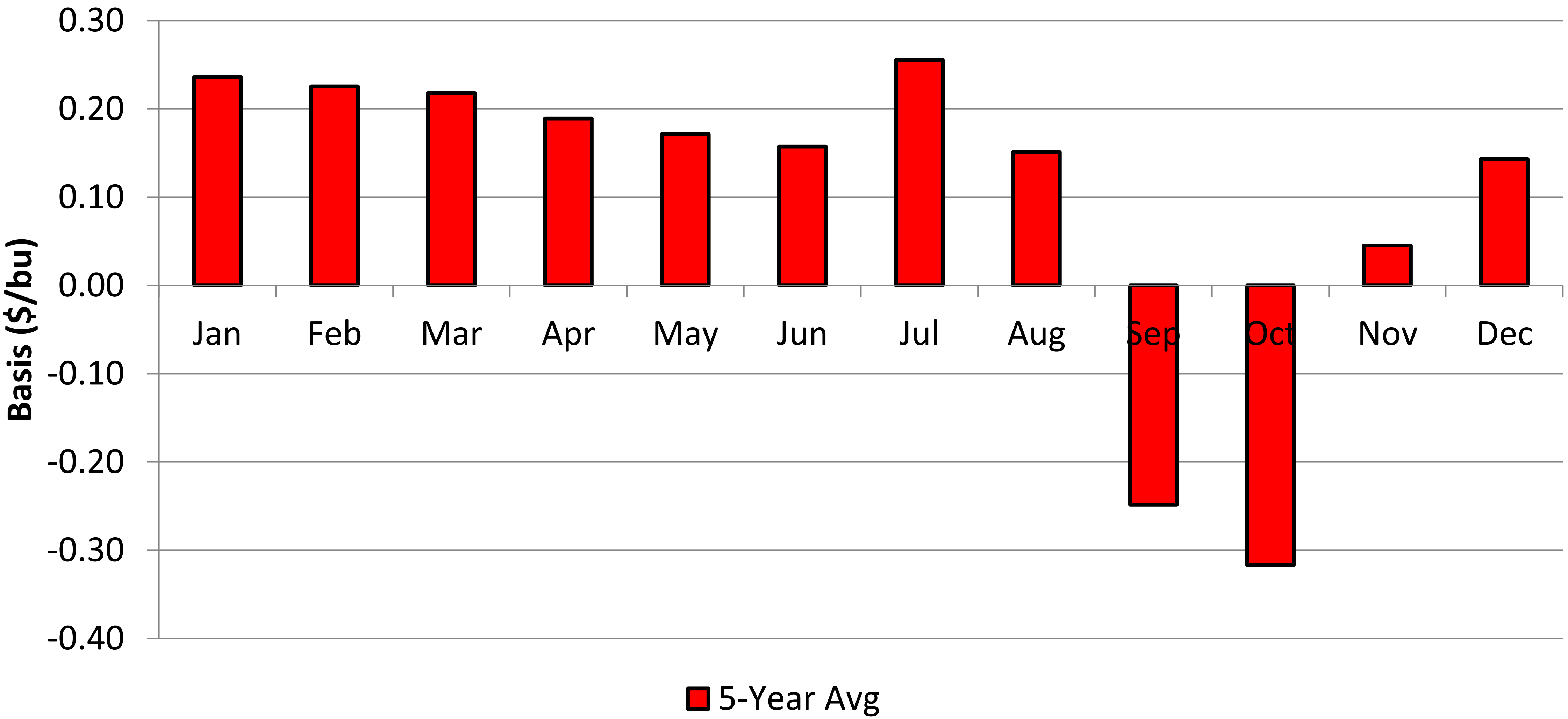
- **Cash price, basis, or futures price can be secured for immediate or future delivery.**

December Corn

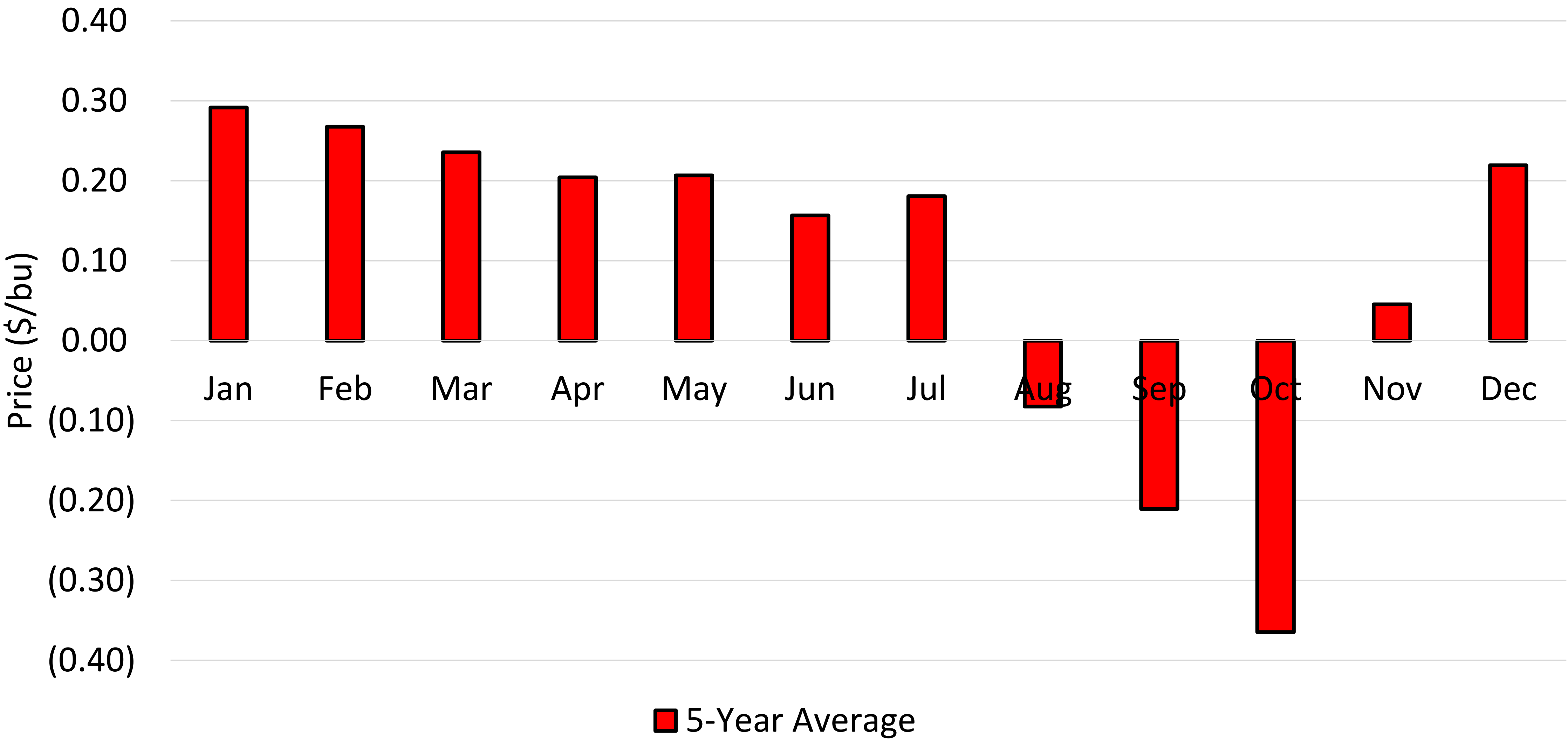
January Soybeans

December Cotton

Memphis Average Monthly Corn Basis (Elevators and Barge Points), 5-Year Average



Memphis Monthly Soybean Basis (Elevators and Barge Points) 5-Year Average



Location Specific Bids

US #1 Soybeans (Bulk)									
Country Elevators - Conventional									
Region/Location	Sale Type	Basis (¢/Bu)	Basis Change	Price($/Bu)	Price Change	Average	Year Ago	Freight	Delivery
Northwest	Bid	-45.00F to -25.00F	UNCH	10.8500-11.0500	UP 0.1300	10.9500		DLVD-T	Current
Northwest	Bid	-25.00F	UNCH	11.0500	UP 0.1300	11.0500		DLVD-T	Dec - Jan
North Central	Bid	0.00F	UNCH	11.3000	UP 0.1300	11.3000		DLVD-T	Current
North Central	Bid	0.00F	UNCH	11.3000	UP 0.1300	11.3000		DLVD-T	Dec
North Central	Bid	10.00F	UNCH	11.4000	UP 0.1300	11.4000		DLVD-T	Jan
West Central	Bid	10.00F	DN 10.00	11.4000	UP 0.0300	11.4000		DLVD-T	Current
West Central	Bid	10.00F	DN 10.00	11.4000	UP 0.0300	11.4000		DLVD-T	Dec - Jan
Terminal Elevators - Conventional									
Region/Location	Sale Type	Basis (¢/Bu)	Basis Change	Price($/Bu)	Price Change	Average	Year Ago	Freight	Delivery
West	Bid	15.00F to 17.00F	UNCH	11.4500-11.4700	UP 0.1300	11.4600		DLVD-T	Current
West	Bid	30.00F	UNCH	11.6000	UP 0.1300	11.6000		DLVD-T	Dec
West	Bid	32.00F	UNCH	11.6200	UP 0.1300	11.6200		DLVD-T	Jan
Barge Loading Elevators - Conventional									
Region/Location	Sale Type	Basis (¢/Bu)	Basis Change	Price($/Bu)	Price Change	Average	Year Ago	Freight	Delivery
Mississippi River	Bid	3.00F	UP 1.00-UNCH	11.3300	UP 0.1400-UP 0.1300	11.3300		DLVD-T	Current
Mississippi River	Bid	18.00F	UNCH	11.4800	UP 0.1300	11.4800		DLVD-T	Dec
Mississippi River	Bid	20.00F to 24.00F	UNCH	11.5000-11.5400	UP 0.1300	11.5275		DLVD-T	Jan

Source: https://www.ams.usda.gov/mnreports/ams_3088.pdf

Interest Costs Incurred to Store Corn or Soybeans

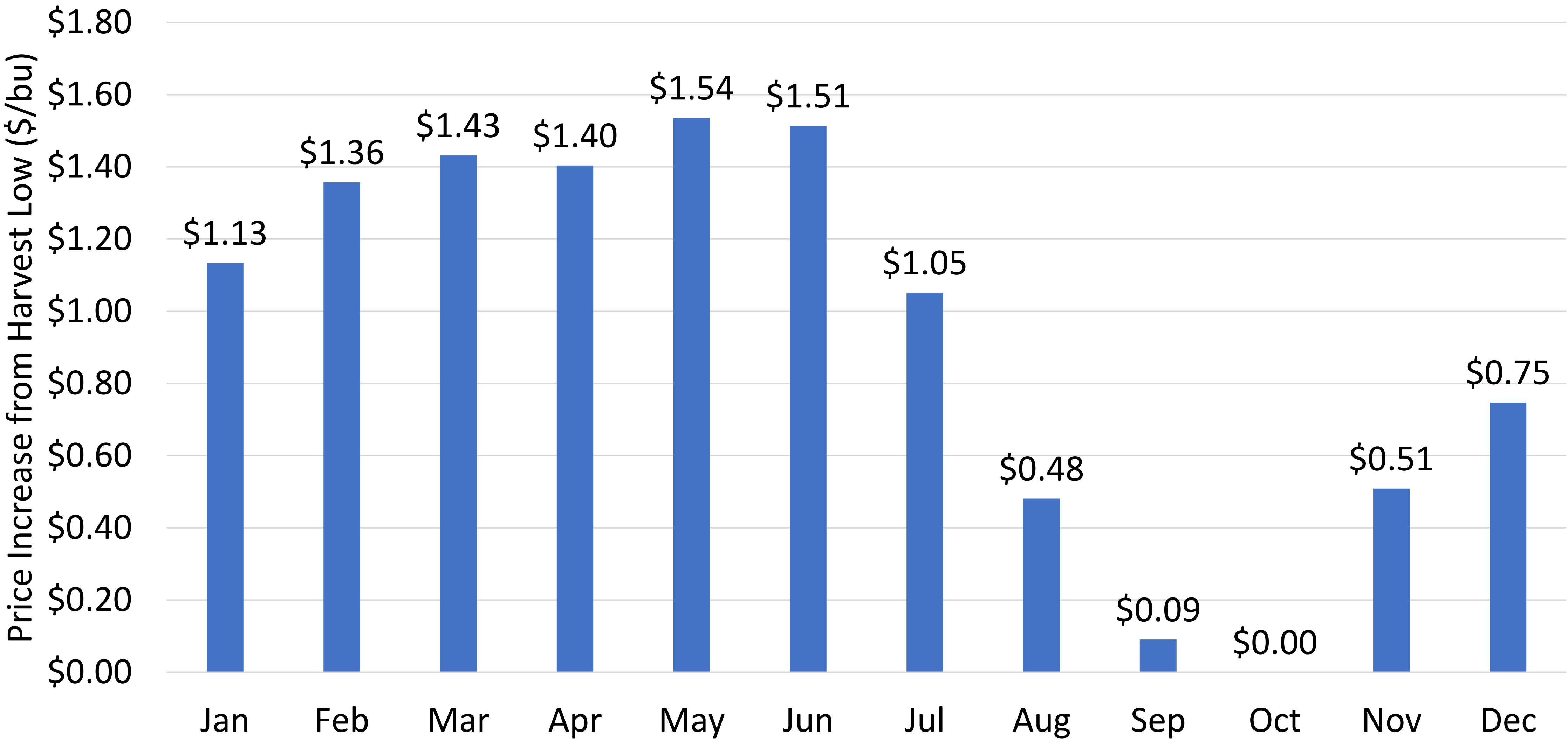
Corn						
Contract	Months	Futures Price	Projected Basis	Price Spread	Interest	Spread-Interest
Dec	-	$4.30	$0.15	-	-	**-**
Mar	4	$4.45	$0.20	$0.20	$0.13	**$0.07**
May	6	$4.53	$0.20	$0.28	$0.19	**$0.09**
Jul	8	$4.60	$0.15	$0.30	$0.25	**$0.05**

Soybean						
Contract	Months	Futures Price	Projected Basis	Cash Spread	Interest	Spread-Interest
Nov	-	$11.15	$0.03	-	-	**-**
Jan	2	$11.30	$0.24	$0.36	$0.16	**$0.20**
Mar	4	$11.39	$0.24	$0.45	$0.32	**$0.13**
May	6	$11.49	$0.21	$0.52	$0.48	**$0.04**
Jul	8	$11.56	$0.18	$0.56	$0.63	**-$0.07**
Aug	9	$11.43	$0.00	$0.25	$0.71	**-$0.46**

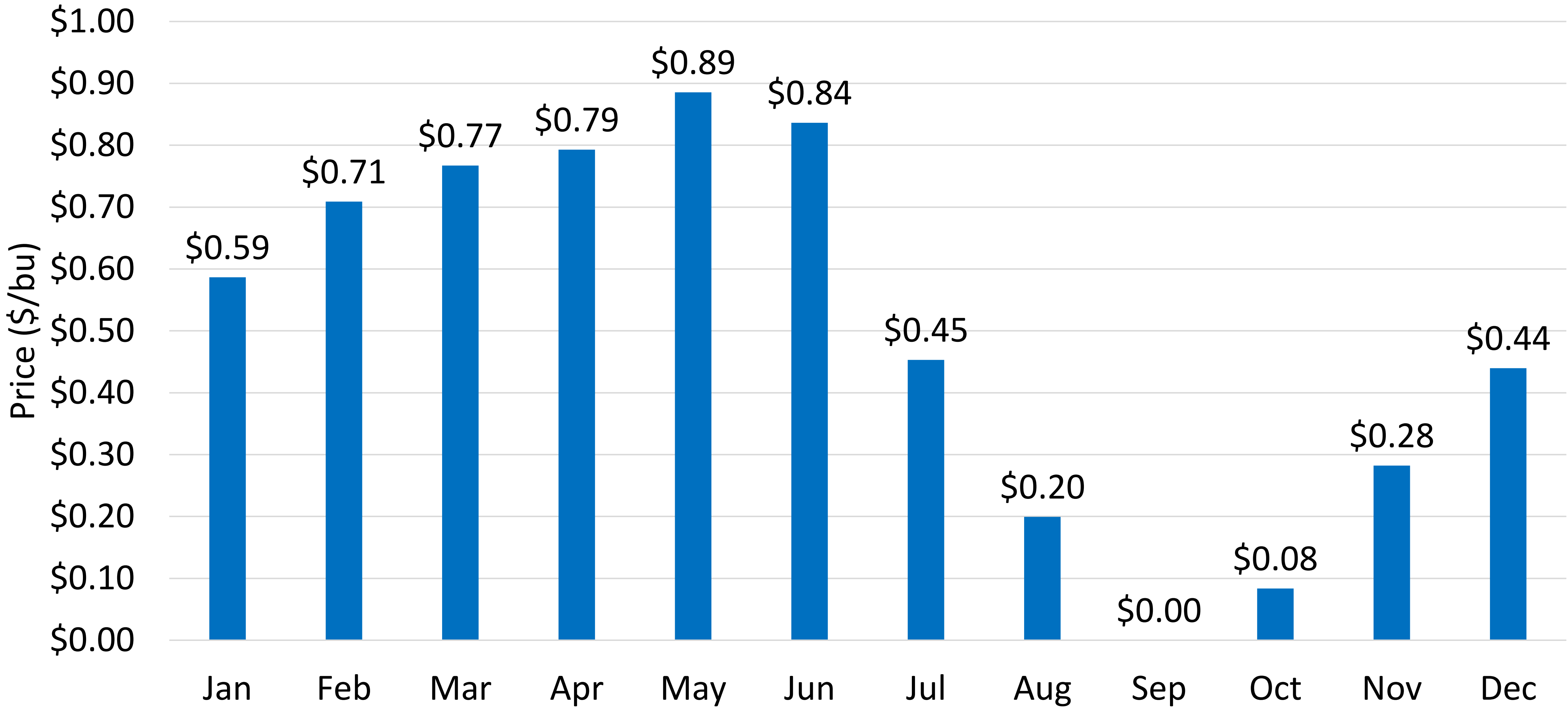
Operating loan interest rate	8.5%
Monthly interest cost (corn)	$0.03
Monthly interest cost (soybean)	$0.08

Additional storage charges ~3-10 cents per month.

Tennessee Soybean - 10 Year Average Cash Price Improvement from October Low, 2013/14 to 2024/25



Tennessee Corn - 10 Year Average Cash Price Improvement from the September Low, 2013/14 to 2024/25



Pricing Strategies

- Sell cash soybeans; buy a call option
- Store soybeans unpriced
- Store establish price protection
  - Basis
  - Futures
  - Options
  - Cash forward

Sell cash soybeans; buy a call option

- Sell cash soybeans @ $11.30
- Buy a March call option at $11.80 call for $0.20
- $11.10 net price with upside in the futures market above $11.80, no downside futures price risk
  - Worst case out premium
  - No storage / interest cost

Store soybeans unpriced

- Subject to positive or negative movements in futures or basis.
- Farmer incurs interest and other storage costs.
- No cash flow to meet end of year expenses.
- Extremely risky position given trade uncertainty, South American Production uncertainty, and lack of data due to government shut down.

Store establish price protection

- Set basis (basis contract).
- Set futures (HTA or sell futures).
- Use options to establish a price floor (put option); fence (put and call) establish a floor and a ceiling to reduce premium expenses.
- Take a cash forward price for delivery in 2026.

2025 Futures Price Ranges

Commodity	Range
Corn	$4.10-$4.70
Soybean	$10.40-$12.40
Cotton	$0.63-$0.70
Wheat	$5.20-$5.80

Comments

- Marketing loans
- Data coming post government shut down could move markets.
- Trade and tariff news will continue to move markets good or bad.
- Ad Hoc payments; similar to MFP?
- Hope is not a risk management and marketing strategy. Need to remove downside risk and take opportunities as they emerge.
  - Incremental pricing into rallies.
- Producers need to get 2026 financing arranged as soon as possible.
  - Dec 1 meeting in Martin and Jackson
- Time to start planning for 2026,

2026 Corn Cost of Production and Marketing

Cost	Cost per Acre	Expected Price	Time Expense is Incurred			Bushels Marketed to Cover Expense		
		$5.00	Dec-Apr	May-Aug	Sept-Nov	Dec-Apr	May-Aug	Sept-Nov
		# of bu to Cover Expense						
Operating costs								
Seed	**$116**	23	100%	0%	0%	23	0	0
Fertilizer	**$170**	34	33%	67%	0%	11	23	0
Chemicals	**$54**	11	25%	75%	0%	3	8	0
Fuel, lube, and electricity	**$24**	5	20%	30%	50%	1	2	3
Repairs	**$48**	10	20%	30%	50%	2	3	5
Other variable expenses	**$0**	0	33%	33%	34%	0	0	0
Interest on operating capital	**$7**	1	33%	33%	34%	0	0	0
Total, operating costs	**$419**	84	-	-	-	40	36	8
Allocated overhead								
Labor	**$37**	7	25%	25%	50%	2	2	4
Capital recovery machinery, equipment, and buildings	**$211**	42	0%	0%	100%	0	0	42
Land (rental rate)	**$200**	40	50%	0%	50%	20	0	20
Taxes and insurance	**$21**	4	100%	0%	0%	4	0	0
General farm overhead	**$26**	5	33%	33%	34%	2	2	2
Other	**$0**	0	33%	33%	34%	0	0	0
Total, allocated costs	**$495**	99	-	-	-	28	4	68
Total, costs listed	**$914**	183	-	-	-	68	40	76
	-		Target % of Crop to be Marketed			37%	22%	41%

Acres	Total Cost	Dec-Apr	May-Aug	Sept-Nov
2,500	$2,285,000	170,000	100,000	190,000

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THANK YOU