

Although this cold weather may make it seem like it will never come, spring and planting season is not far away. And with planting season comes thoughts of fall and harvest time. With that thought, I want to share with you some things to consider before you get too busy. At the recent Winning the Game marketing workshops that were hosted across the state, our northwest regional K-State ag economist, Dan O'Brien, advises people to come up with a pre-harvest grain marketing plan for their fall production.

The main purpose of a pre-harvest grain marketing plan is two-fold. First, it will help remove emotion and second guessing from your marketing decisions. Second, this will help producers take advantage of off season pricing swings. This plan should have several key parts. First, you should decide how much of your expected fall production to market pre-harvest. Determining how much is up to the individual producer and should fit into their production and planting decisions. Second, O'Brien recommends targeting several dates where your plan required you to take some action by. To each of these dates, you would allocate an equal portion of the amount you planned to market pre-harvest. For example, if you had 4 marketing target dates, you would take an action to pre-harvest market 25% of the amount of production you ear marked for pre-harvest marketing. In combination with these target dates, it is also recommended to have target market prices that would trigger a marketing action. For example, you might have a target price of "X" for a July 15 target date/action deadline. If the markets hit that target price of "X" on July 5 then you would take action and that would account for that portion of your pre-harvest marketing plan. Now when determining your target price, it is best to use a cash price because that is how you will ultimately be selling it but you must also consider the basis and not just what the futures market is doing. When I say take action, that can mean using one of several marketing options be it forward contracting, hedge to arrive contracts, basis contracts, futures hedging or buying an option. This will depend on what your goals are, what your grain marketer offers and your comfort level with the potential action. I would also suggest talking with your grain marketer and working with them to develop your pre-harvest marketing plan.