

Grain Marketing Workbook

Farm Business Management



Saskatchewan.ca/agriculture



Grain Marketing Plan

Date: _____

Farm: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

Crop: _____

Target Price: _____

A marketing plan is a road map to successful risk management and a tool to protect your investment and capture the commodity prices needed to ensure farm profitability. This workbook was developed to assist farm producers in writing down their expectations, objectives and grain marketing strategies.

For additional information on commodity marketing, please contact your nearest Regional Farm Business Management Specialist or the Agriculture Knowledge Centre at 1-866-457-2377.

1. Production

1. What is your crop plan?
2. What are your expected yields? Do they beat average?
3. Is storage an alternative for crops?
4. What are your production costs?

Notes: _____

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2. Production Risk

Review your expectations by answering the following questions:

1. How much do you reasonably expect to sell?
2. Is crop insurance or a similar risk management program required?
3. What is your risk tolerance?
4. Can you sustain a crop failure?

Notes:

3. Market Analysis

To analyze market performance consider the following:

1. emerging trends;
2. market patterns;
3. market and trend volatility;
4. supply and demand fundamentals;
5. key sources of market intelligence; and
6. do you need professional assistance?

Notes: _____

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4. Financial Position

Based on financial projections and analysis, market variables and the recommendations or answers to the previous sections of this workbook:

1. What are your financial projections for the year?
2. What will be the annual cost of producing and delivering these commodities?

Note any major financial implications for the plan with respect to:

1. cost of production of selected crops;
2. financial forecast;
3. cash flow;
4. breakeven point;
5. preferred margin; and
6. constraints from debt and personal preference for taking risks.

Notes:

5. Grain Contracts

1. Investigate the different contractual agreements:
 - a. future contracts;
 - b. cash sales; and
 - c. basis contracts.
2. Do you know what contract would provide the greatest benefit?
3. Do you know what impact grading will have on your agreement?
4. What are your rights and obligations?

Notes:

6. Strategies

1. Is hedging or commodity trading a tool that would benefit your farm?
2. What is the sales strategy that is the most appropriate for the existing or forecasted market conditions?
3. Do you have specific strategies for different commodities and potential changes in market outlook or grain quality?
4. How are you able to capture prices that will meet obligations and/or targets?

Translate financial goals into advantageous prices.

1. Do you want to get the average price or beat the season average price?
2. What is your breakeven price and use it as a benchmark to set your targets?
3. What is your contingency plan; you may want targets in place should prices move lower?

Notes:

7. Action Plan

1. Identify and explain the targets, timetables and key responsibilities for implementing the plan.
2. Outline accountability for plan monitoring, timing of reports and develop a process for follow-up.
3. Does your commodity-selling relate to cash-flow needs?
4. Have you considered tax implications?

Notes:

8. Evaluation

Grain marketing is an ongoing process. As such, your marketing strategy should be reviewed yearly. Consider the following aspects when reviewing your marketing strategy:

1. Maintain a history of performance.
2. Was the market intelligence adequate?
3. What needs improving?
4. Did the tools or strategies work as expected?
5. Do I need training?
6. Did the cost and time of developing and implementing the plan benefit your business?

Notes:

Market Planning Checklist

Use tools such as a checklist to facilitate the implementation of your marketing plan. Timely execution is the key to success.

Year One

January to February

- ☐ Gather market information from several sources
- ☐ Analyze market outlook and supply-demand statistics
- ☐ Monitor contract prices and basis levels
- ☐ Calculate cost of production and breakeven prices
- ☐ Make preliminary crop selections and seeding intentions
- ☐ Lock-in attractive crop prices with a production contract or a deferred delivery contract

March

- ☐ Crop plan
- ☐ AgriStability coverage
- ☐ Crop insurance coverage

March to April

- ☐ Update and revise market outlook
- ☐ Spring seeded acreage report
- ☐ Set crop target prices
- ☐ Monitor market and futures prices for pricing opportunities
- ☐ Use futures option
- ☐ Price protection contract (minimum price contract with a grain company)
- ☐ Make final crop selections and seeding plans

May to July

- ☐ Watch for pricing opportunities if the market rallies during a mid-summer drought scare. Be ready to lock-in the price when the market hits your target price.
- ☐ Summer seeded acreage report
- ☐ Monitor the market and sell the remainder of last year's grain
- ☐ Revise and update market outlook/price forecast

August to December

- ☐ Store grain to maximize price returns
- ☐ Revise and update your target price, market outlook
- ☐ Investigate grain delivery programs

Year Two

January to July

- ☐ Revise market outlook, revise target prices
- ☐ Monitor markets, gather market intelligence
- ☐ Begin to develop a marketing strategy for the next crop

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Notes: _____

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Notes: _____

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For more information contact:
Saskatchewan Agriculture Regional Offices

Kindersley
306-463-5513

Outlook
306-867-5575

Swift Current
306-778-8285

Watrous
306-946-3230

Moose Jaw
1-866-457-2377

Prince Albert
306-953-2363

Tisdale
306-878-8843

Weyburn
306-848-2857

North Battleford
306-446-7962

Yorkton
306-786-1531

Agriculture Knowledge Centre (Toll Free): 1-866-457-2377

