

ProfitTalk

Simple perspective on disciplined grain marketing for producers



July/August 2021

DON'T LET PROFIT SNEAK AWAY

This year has offered some tremendous opportunities to lock in profit for the 2021 crop. Here are the highs to date and the recent three month (April, May, June) average futures price for corn, soybeans, and wheat.

Fortunately, this rally peaked after much of the costs have been locked in. If the crop produces and you have made sales anywhere near these levels, you should see some nice profit in 2021.

2021 FUTURES	HIGH	DATE	3 MONTH AVERAGE
DEC Corn	\$6.38	5/7/21	\$5.55
NOV Soybeans	\$14.66	6/8/21	\$13.52
JUL KC Wheat	\$7.415	5/7/21	\$6.38
JUL CME Wheat	\$7.695	4/27/21	\$6.82

**Table data as of June 28, 2021*

This opportunity is great, but does it end there? There may be more opportunity (and risk) than you are immediately aware of. The current situation has created some opportunities for pricing the 2022 crop. When prices increase as much as they have recently it's typical for deferred crops to have a lower price than nearby ones, but still be trading at higher than average values.

2022 FUTURES	HIGH	DATE	3 MONTH AVERAGE
DEC Corn	\$5.35	5/7/21	\$4.91
NOV Soybeans	\$13.1375	6/8/21	\$12.22
JUL KC Wheat	\$7.07	5/7/21	\$6.50
JUL CME Wheat	\$7.1475	5/7/21	\$6.69

**Table data as of June 28, 2021*

These are historically nice prices to lock in, and with a couple months of a weather market left you may continue to have opportunities to lock in some good prices for the 2022 crop.

A word of caution. We have already realized higher cost of inputs with the rally, so you will want to take this into account. There is risk anytime you separate the known cost from the known price. Historically, prices fall faster after a rally than costs do. This is important to consider while trying to lock in good prices that reflect the costs you may incur.

One approach is to look at the revenue potential associated with your pricing opportunity. For example, see how the three month averages translate into revenue in the following chart using APH estimates.

COMMODITY	3 MONTH AVERAGE	APH	TOTAL REVENUE/ACRE
Corn	\$4.91	170	\$835
Soybeans	\$12.22	50	\$610
HRW Wheat	\$6.50	45	\$293
SRW Wheat	\$6.69	70	\$468

**Table data as of June 28, 2021*

If current costs are well below total revenue, you might want to start marketing some of your expected production.

Here is a table you can put your numbers in and see where you stand today.

COMMODITY	CURRENT 2022 PRICE	YOUR APH	TOTAL REVENUE/ACRE (Current Price x APH)
Corn			
Soybeans			
Wheat			

Another way of approaching it could be to sell grain as you are able to lock in cost. For example, you will likely be able to lock in seed cost this fall. Be mindful of what cost per acre you have locked in and see if there are 2022 pricing opportunities that offset that cost.

These are just a couple of examples of how you can think about securing some reasonable profit for your operation. Take time to assess the opportunities that you have. If they are not what you would like, then calculate what you would like and get some targets working in this volatile time. A little attention to what is happening for next year's crop may just keep profit from sneaking away!