

ProfitTalk

Simple perspective on disciplined grain marketing for producers



presented by
White Commercial™
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THREE DECISIONS TO MAKE BEFORE HARVEST BEGINS

The more time that passes without selling grain or placing target orders, the more likely you are to become a **market taker** rather than a **market maker**.

A market taker sells grain not because they want to, but because they have to. The bins are full, a bill is due, or they simply don't want to spend any more money storing the crop. The result is often accepting whatever price the market is offering that day—whether it's profitable or not.

A market maker isn't able to control what the market will do, but they develop a plan and execute it if and when the market offers profitable pricing opportunities.

Right now, time is of the essence. For most farmers, there isn't much time left between deciding to forward contract grain or making decisions at the scale during harvest. That's why now is the time to answer these three questions.

1. At this point, how much grain are you willing to commit to selling?

Hopefully, you've been following a marketing plan and already have some of your crop sold. If not, now is still the time to evaluate what you have available to market.

As we move through mid-to-late summer, what are your expectations for production? Will yields likely come in below, above, or near your Actual Production History (APH)? How much of that expected production is already sold? How many additional bushels are you comfortable committing?

Take those factors into account and decide what a wise amount of grain to sell is. Once you've answered that question, you can move on to the next decision.

2. At what price levels will you sell?

Like the first question, this decision should be based on more than emotion.

While many factors influence grain prices, one of the best gauges of long-term pricing opportunity is the USDA's stock-to-use ratio. It provides a general indication of how much pricing opportunity the market may offer.

As stock-to-use ratios increase, the likelihood of substantially higher prices generally decreases. Conversely, as stock-to-use ratios decline, the likelihood of stronger prices tends to increase. History also shows that certain stock-to-use levels tend to favor one direction over the other.

At the time of this writing, soybean stock-to-use is projected at 6.9% and corn at 12.1%. Both are near their historical mid-range levels. That leaves room for prices to move either higher or lower. If current prices are profitable, there is good reason to consider locking in those profits. If they aren't, determine the price at which you are willing to sell and place target orders to capture that opportunity if the market gets there.

If it doesn't, then it's time to answer the third question.

3. If you don't sell before harvest, are you willing to sell across the scale or pay to store your crop?

Like the previous decisions, this one deserves some thought before harvest begins.

Every year, thousands of farmers pull onto the scale and hear the same question: *"What do you want to do with these bushels?"* Unfortunately, many don't make that decision until they're sitting in the truck.

Selling across the scale usually means taking whatever price the market is offering rather than making a pricing decision on your terms. While harvest isn't always the seasonal low, history tells us prices often come under pressure during harvest, and unless yields are exceptional, those prices may not be profitable.

The alternative is storage. But storing grain isn't free. Before deciding to pay storage, ask yourself whether the potential opportunity justifies the additional cost. Too often, storage simply delays becoming a price taker while adding more expense to the crop.

Here's a simple test.

Can you live with accepting the price at delivery? Are you willing to invest additional money to store this crop?

If your answer is **no** to both questions, then you should reconsider selling more grain ahead of harvest when prices are profitable or placing additional target orders.

At this point in the season, that's your best opportunity to be a **price maker** rather than a **price taker**.

