

DECISION MAKING IN UNCERTAIN TIMES

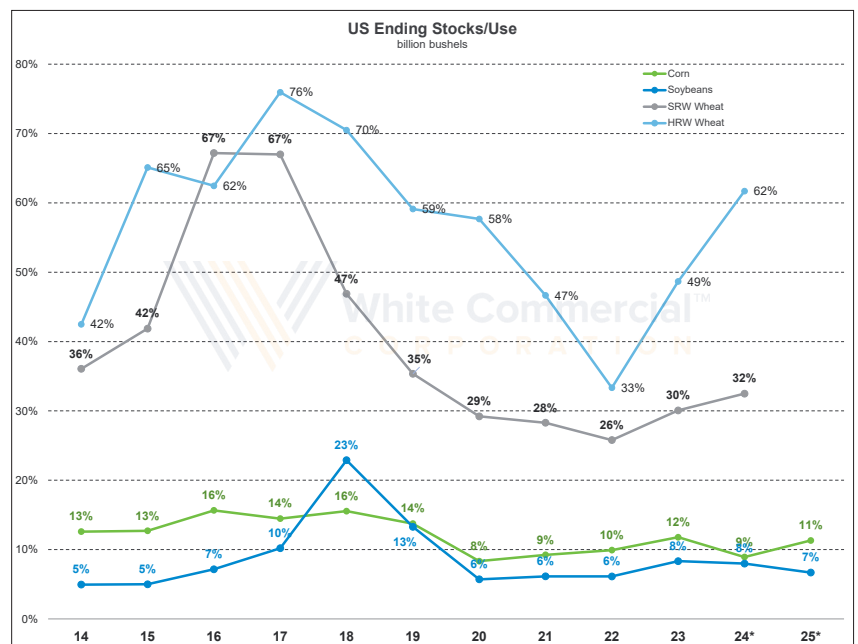
Fundamental Market Directions

While there is never a time to be certain about market direction, there are seasons where it is more obvious. In times of tight stocks, the market tends to have higher volatility and gives higher pricing opportunities. Conversely in time of plenty, the market has lower volatility and lower pricing opportunities. Regularly, a lot of time is spent transitioning between these two scenarios bringing more uncertainty. Right now, it is one of those times. Not only is this a time of transition in the market supply, but there are also a lot of outside factors impacting market variables, adding to the uncertainty of market direction.

Current Uncertainty

As of USDA's June WASDE report, the 2024 crop year stocks-to-use projection for corn is 8.93% while the 2025 crop year is 11.32%. These projections straddle 10%, which is a point at which the corn market seems to determine whether we have enough corn or not. If you build much over 10%, the market tends to lose volatility and moderate prices. Conversely, if stocks get much below this mark, more volatility and pricing opportunities tend to show themselves.

Similarly, soybeans are riding their own fence which is around 6% stocks-to-use. As of June 2024, crop year projection was 7.98%, which is relatively comfortable, and 2025 is down to 6.68%, which is less comfortable.



* Wheat does not have a 2025 projection at the time of this writing.

Regarding wheat, hard and soft wheat have their own stories. Hard wheat has jumped from 48.67% to 61.69% while soft wheat has been hovering around 30% for several years and at 32.49% currently. So, hard wheat swung from the lower end of its history to the higher side in one year. Soft wheat has been gaining stocks-to-use in the latest years, and we've seen the market moderate but still is on the lower end of its historical values. And these numbers are only an indication of the volume of wheat and don't reflect the quality, which is a factor contributing to uncertainty.

Add in two major world conflicts, trade war, and global supply and demand changes and it is very difficult to know what to do. The uncertainty we're in now isn't because of extreme circumstances, it has more to do with moderate positions. When stocks-to-use is riding a fence, it is easy to get paralyzed by the uncertainty which side things fall on.

Here are a few key principles to keep in mind in this environment:

Avoid Emotion-Based Decisions

Don't chase highs or panic at lows. This is decision making in the moment without foundation. Leaving decisions to our gut is risky business and leads to sleepless nights and anxious days. It's a struggle older than this graphic of "The Greed-Hope-Fear School of Marketing".

Uncertainty breeds anxiety, and there is only one way off this ride. You need to look at what you can know versus obsessing with what you don't.

Know Your Number

By this time of the year, you should know your cost for the 2025 crop. You know how many acres you've planted, and you have an APH you can lean into for a reasonable expectation for yield. You can also see how your crop has developed to this point or for some of you how much wheat you have produced. These are important known factors. So, what to do with them?

Use what you know about your operation to determine a goal. This is where many go astray, or more likely go nowhere. What is your goal for profitability for 2025? Have you identified it?

Furthermore, in times of uncertainty, you may need to prioritize risk management over price maximization. This is the 11th hour before fall harvest, and many will have harvested wheat. Setting your goal this time of year may require recovering cost more than going for gold.

Once you've determined your number, get target orders working. They work for you 17.5 hours/day and with fewer hours between you and harvest, you want to capture opportunities when they arise.

Work Your Plan

Because there isn't much time left before harvest, it is important to be attentive to changes in your scenario. Use scenario planning. What will you do based on different scenarios, so if the case arises you can pivot without much stress. Work your plan or the market will work you.

While you cannot remove the uncertainty of the market, you can take action. These simple steps will help alleviate stress and give you a higher probability of being profitable in 2025. Stop now. Run your number. Sell grain or get a target working for the number that works.

