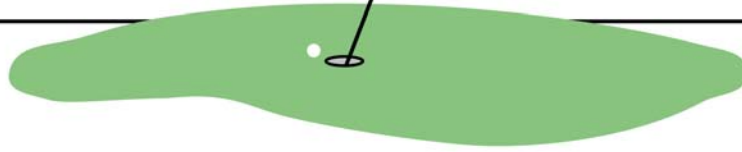


WINNING THE GAME™



What is the Ideal Extension Marketing Program

**Robert Craven, University of Minnesota
July 27, 2006**



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WINNING THE GAME™

WtG 1: The Pre-Harvest Marketing Advantage

WtG 2: Launch Your Pre-Harvest Marketing Plan



Pre-harvest marketing is a broad view of the market, trying to take advantage of early seasonal price tendencies. Crop insurance is a critical part of marketing.

**Winner of the 2004 AAEA
Distinguished Extension Group Award!**

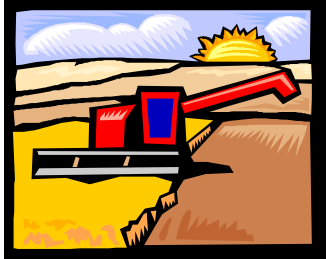


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WtG 3: The Post Harvest Marketing Challenge

New! WtG 4: Launch (and Land) Your Post Harvest Plan



Post harvest marketing is a practical approach to the current environment, adapting to market signals and incentives. Tactics may change from one year to the next.



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A Different Approach to Marketing

Marketing is Important!

- Per Iowa State University, the average farm earns 20-30 cents per bushel (including gov't payments). Just 10 cents more per bushel could increase net income by 33-50%!
- Great marketing is not finding the high price. It's finding an extra 10-20 cents per bushel with a solid plan that *eliminates mistakes*.



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WINNING THE GAME™



**Gain the Pre-Harvest
Marketing Advantage**

*... the first workshop in the
"Winning The Game" series*



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Workshop Theme

***"Pre-harvest marketing
pays and crop insurance is
the tool that allows you to
do it with comfort "***



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History

- Since Fall 1999 - Original game and workshop concept were developed by Roger Selley & Doug Jose, University of Nebraska. They have conducted 76 workshops for 1,394 participants
- Since Fall 2000 - Winning the Game delivered in Minnesota, 110 workshops for 3,776 participants.



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History

- 2002-03 Country Hedging in cooperation with the U of MN – 47 workshops with 1,500 participants (OH, IN, MO, CO, KS, OK, WI)



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Agenda

- Introduction
- Playing The Game
- Seasonality of Grain Markets
- Break
- Impact of Crop Insurance Decisions
- Results of The Game



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Seasonal Movements in Futures Prices

CBOT December Corn, 1980-2004

18 years (72%) the market declined

7 years (28%) the market improved

14 years the market declined more than 25 cents!

Contract	1-May	1-Oct	Change
1980	2.95	3.49	0.54
1981	3.77	2.87	(0.90)
1982	2.93	2.20	(0.73)
1983	3.03	3.53	0.50
1984	3.04	2.78	(0.26)
1985	2.64	2.26	(0.39)
1986	2.04	1.77	(0.27)
1987	1.87	1.84	(0.03)
1988	2.27	2.95	0.68
1989	2.64	2.39	(0.26)
1990	2.70	2.29	(0.42)
1991	2.53	2.54	0.01
1992	2.53	2.12	(0.41)
1993	2.43	2.43	0.00
1994	2.58	2.14	(0.44)
1995	2.63	3.11	0.48
1996	3.33	2.90	(0.44)
1997	2.76	2.56	(0.20)
1998	2.62	2.05	(0.58)
1999	2.31	2.05	(0.26)
2000	2.62	1.99	(0.63)
2001	2.27	2.11	(0.16)
2002	2.20	2.56	0.36
2003	2.33	2.20	(0.13)
2004	3.17	2.06	(1.11)
Average	2.65	2.45	(0.20)



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Life Insurance

- How many of you have life insurance?
- Do you hope to collect on your insurance this year?



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Evaluation 2001-02

	<u>Average % Forward Priced</u>	
	Corn	Soybeans
Previous Max	22.5%	9.4%
New Expected Max	55.6%	52.1%
Increase	33.1%	34.6%



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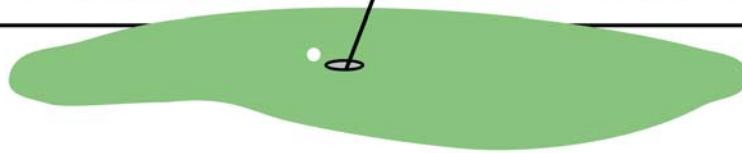
Follow-up Evaluation 2001-02

	<u>% Actually Forward Priced</u>	
	Corn	Soybeans
2001 Crop Max	16.1%	9.4%
2002 Crop Max	43.7%	33.6%
Increase	27.6%	24.2%



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WINNING THE GAME™



Launch Your Pre-Harvest Marketing Plan

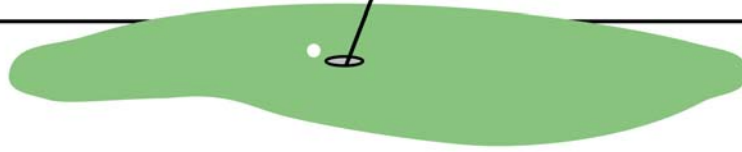
*... the second workshop in the
"Winning The Game" series*



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WINNING THE GAME™



- Explore the Key Elements of a Pre-Harvest Marketing Plan
- Develop your own Marketing Plan
- Use your Plan in a Simulation Game



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History

- Since Fall 2002 -- Minnesota educators have delivered 54 workshops with 1,543 participants
- Since Fall 2003 Iowa State University partnered with Iowa Farm Bureau to deliver 138 workshops with 3,570 participants



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History

- 2005 – 2006
 - South Dakota State University Extension
 - University of Maryland
 - Washington State University
 - Country Hedging, Inc.



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A Different Approach to Marketing

What is a Marketing Plan?

- A marketing plan is a proactive strategy to price your grain that considers your financial goals, cash flow needs, price objectives, storage capacity, crop insurance coverage, anticipated production, and appetite for risk

Proactive, not reactive, not overactive



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Tillman Farm **(2) Decision dates**

Pre-Harvest Corn Marketing Plan

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated corn crop (based on APH yield) priced by late May.

Price 10,000 bushels at \$2.10 cash price (\$2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract.

Price 10,000 bushels at \$2.22c/2.62f, or by Mar 29, using a fixed-price contract.

Price 15,000 bushels at \$2.34c/2.74f, or by Apr 7, using a fixed-price contract.

Price 10,000 bushels at \$2.46c/2.86f, or by Apr 27, consider options/trend system.

Price 10,000 bushels at \$2.58c/2.98f, or by May 16, consider options/trend system.

Price 10,000 bushels at \$2.70c/3.10f, or by May 27, consider options/trend system.

Plan starts on November 1, 2005. Earlier sales will be made at a 15 cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$2.10 local cash price/\$2.50 December futures.

Exit all options positions by mid-September.

(1) Pricing targets

(3) Pricing tools & trump cards



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Before you play the game, you need to make your plan!

Objective: Buy crop insurance to protect my production risk, and have ____% of my anticipated corn crop (based on APH yield) priced by late May

Price ____ bushels at \$____ cash price (\$____ Dec. futures) using _____

Price ____ bushels at \$____, or by _____, using _____

Price ____ bushels at \$____, or by _____, using _____

Price ____ bushels at \$____, or by _____, using _____

Price ____ bushels at \$____, or by _____, using _____

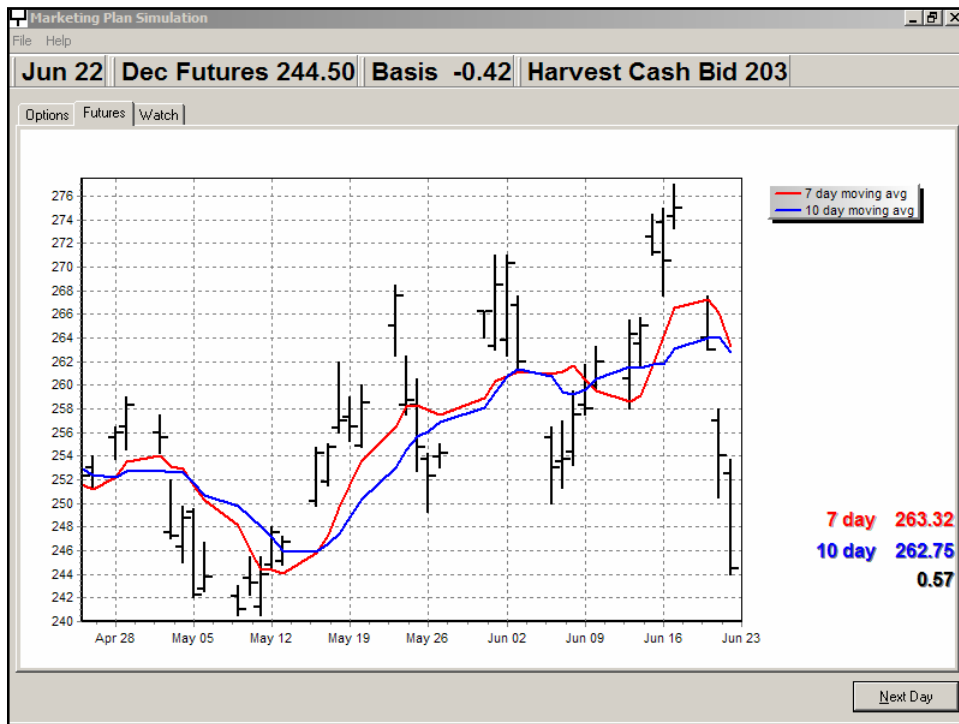
Price ____ bushels at \$____, or by _____, using _____

Plan starts on _____. Earlier sales will be made at a _____ cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$_____ local cash price/\$_____ December futures.



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Evaluation 2002-03

- Have you ever developed a pre-harvest marketing plan?
 - Yes 49.4%
 - No 50.6%
- Have you implemented your plan?
 - Yes 10.5%
 - No 89.5%
- As a result of this workshop do you plan to develop & implement a plan?
 - Yes 100%
 - No 0%



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Follow-up Evaluation 2002-03

- As a result of the WTG2 workshop, did you develop a marketing plan?

Yes 85.4% No 14.6%

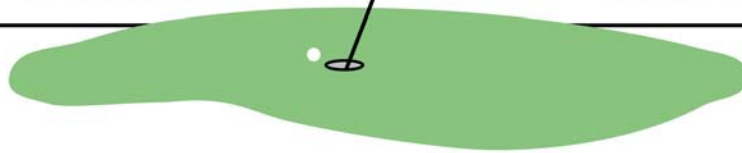
- If you developed a plan, did you implement the plan?

Yes 78.0% No 22.0%



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WINNING THE GAME™



The Post-Harvest Marketing Challenge

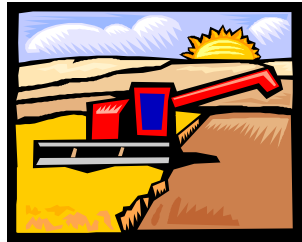
*... the third workshop in the
"Winning The Game" series*



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Workshop Theme

The post harvest challenge is to correctly size up market opportunities for storage.



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Agenda

- Introduction and play the game
- Key points/learning objectives
 - Post harvest seasonality of grain prices
 - Carrying charges and selling the carry
 - What does it cost to store grain?
 - The peril of holding grain in storage too long
- Celebrity players and game results
- Sizing up the current market



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History

- Since Nov 2004
 - Minnesota educators delivered 33 workshops with 1,287 participants
 - Iowa Farm Bureau & Iowa State educators delivered 47 workshops with 1,052 participants
- 2005 – 2006
 - South Dakota State University Extension



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What is the carry?

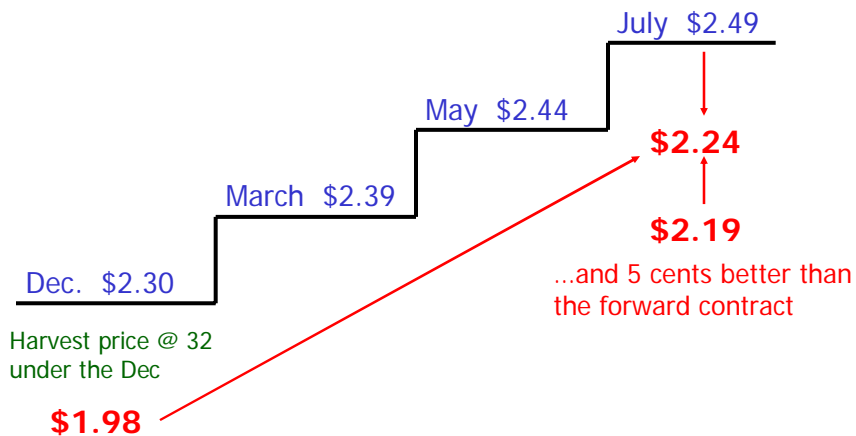
CBOT Corn Futures Carrying Charges at Harvest

Year	Dec fut 10/15	July fut 10/15	Dec/Jul Carry
1984	2.81	2.93	0.12
1985	2.21	2.43	0.22
1986	1.63	1.84	0.21
1987	1.88	2.05	0.18
1988	2.94	2.97	0.03
1989	2.36	2.49	0.13
1990	2.28	2.47	0.19
1991	2.46	2.67	0.21
1992	2.10	2.29	0.19
1993	2.49	2.63	0.15
1994	2.18	2.41	0.23
1995	3.28	3.33	0.05
1996	2.87	3.01	0.14
1997	2.90	3.07	0.17
1998	2.27	2.50	0.23
1999	1.99	2.23	0.23
2000	2.07	2.32	0.25
2001	2.06	2.32	0.26
2002	2.54	2.66	0.12
2003	2.17	2.31	0.15
2004	2.07	2.31	0.24
Ave.	2.36	2.53	0.18



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Carrying Charges and Selling the Carry









Place the crop in storage at harvest, then "sell the carry" with a futures hedge or HTA! I expect 25 under the July by spring.



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Celebrity Results Corn, 1989-2003

						
	Barney	Sally	May	Earl	Hank	Peter
Average	1.99	2.07	2.13	2.20	1.78	1.98
Highest Price *	2	7	5	8	3	0
Worse than Barney *	NA	0	5	2	11	12



* Out of 15 years

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Evaluation 2004-05

- How would you rate program 1 to 5?
MN 4.58 IA 4.49
- Percent that said they plan to develop & implement a post-harvest marketing plan as a result of the workshop?
MN 95.9% IA 97.9%



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Evaluation 2004-05

- What percent of your corn do you store past July 1?

MN 14.3%

IA 13.6%

- Percent that indicated they are no longer going to store past July 1?

MN 87.6%

IA 84.7%



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Summary

- Curriculum driven program – consistent evals with many different presenters
- Games accommodate different basis locations and commodities
- Turn-key presentation and promotion framework



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Summary

- Half day program
- Fun educational game
- Participants leave thinking "I can do this!"



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