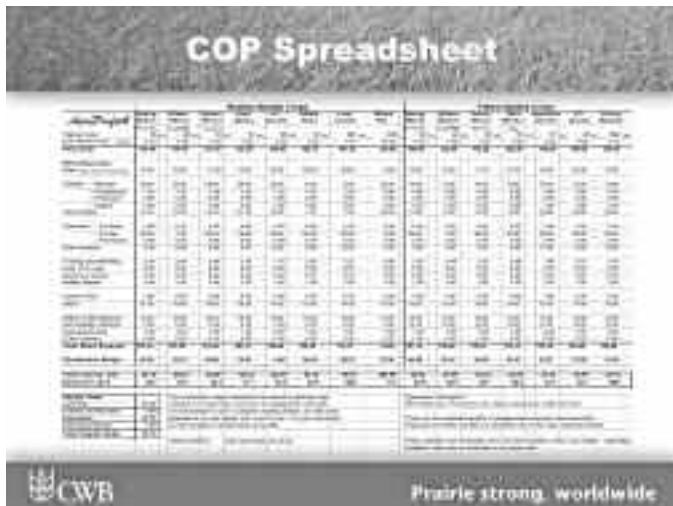




## SETTING UP A MARKETING STRATEGY PLAN

Brian Wittal



### Marketing Choices

- Get to know the different kinds of pricing contracts that are available for you to use.

CWB Grains	Non Board Grains
Pooling	Cash pricing
Daily Price Contract	Deferred delivery flat price
Fixed Price Contract	Basis/Futures Contract
Basis/Futures Contract	Options (Min/Max contract)
Early Payment Option	Grain Pricing Orders
Target Pricing Contract	Identity Preserved Varieties
Identity Preserved Varieties	

### Fundamentals

- Know your Costs of Production !!**
- Base costs (land costs, wages, machinery)
- Calculate variables (seed, fertilizer, chemical, yields)
- Do a Hi, Lo, Average to determine best potential returns.
- Alta Ag has some very detailed COP calculation Excel spreadsheets. [www.agric.gov.ab.ca](http://www.agric.gov.ab.ca)
- Track changes to COP and adjust accordingly.

### Fundamentals

- Set out Cash Flow Needs.
- When are payments and bills due? Project 12 to 18 months forward. Set out Key dates for cash flow needs and use them as pricing targets.
- Calculate your target price values for each commodity.
- Establish your pricing risk tolerance (% sold by when?)
- Start following the markets and be prepared to start pricing before the crop is in the ground.
- Look for opportunities to sell premiums in the market. (Narrow Basis, Early Harvest Premiums, Co's short for shipments).

### Choose Wisely !!

- Keep emotions out of decision making.**
- Use the "BEG" system, Best Educated Guess.
- SO** Educate yourself. Understand what marketing choices are out there. Collect pricing and market info from as many sources as possible before deciding. Talk to buyers, sellers, Grain Co's, brokers, analysts, marketing specialists, reports, newspapers, radio, internet, etc.
- Every Grain Co's costs and premiums vary depending on their needs. **NEGOTIATE! Don't leave it to fate.**



Past/Present/Futures

- **Basis, Futures, Fixed/Flat Price contracts**
- Historical Pricing Info, Futures and Basis.
- World S&D #'s for all relevant crops, Historical & current. Sources: USDA, Stats Canada, CWB, Market Analysts.
- Research current values being offered by all Co's !!!!!
- **Don't let last years prices dictate this years pricing !**
- **If the #'s don't match the prices are going to change!**
- If you don't have a crystal ball, follow the #'s, if you do that you will market your grains in the top 80%-90% of the market.



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2000-03 CWB Historical New Crop Basis Levels (\$/CN/MT)

2000-01 CWB Basis Levels			2001-02 CWB Basis Levels		
#RD Date	CWB Basis (\$/CN)	WFB Basis (\$/CN)	#RD Date	CWB Basis (\$/CN)	WFB Basis (\$/CN)
27-Apr-01	+ 0.24		27-Mar-02	+ 0.11	
27-Sep-01	+ 0.11		26-Apr-02	+ 0.08	
27-Nov-01	+ 0.11		26-Jun-02	+ 0.07	
27-Dec-01	+ 0.10		26-Aug-02	+ 0.07	

2000-01 December 2000 Basis Levels						
#RD Date	CWB	USDA	USDA	USDA	USDA	USDA
27-Dec-00	+ 0.00	12.00	11.00	10.00	10.00	+ 0.00
28-Dec-00	+ 0.00	0.00	1.00	1.00	0.00	+ 0.00
29-Dec-00	+ 0.00	0.00	1.00	0.00	0.00	+ 0.00
30-Dec-00	+ 0.00	1.00	1.00	1.00	1.00	+ 0.00

2002-03 December 2002 Basis Levels							
#RD Date	CWB	USDA	USDA	USDA	USDA	USDA	USDA
24-Dec-02	+ 0.00	1.00	1.00	0.00	1.00	1.00	+ 0.00
25-Dec-02	+ 0.00	1.00	1.00	0.00	1.00	1.00	+ 0.00
26-Dec-02	+ 0.00	1.00	1.00	0.00	1.00	1.00	+ 0.00
27-Dec-02	+ 0.00	1.00	1.00	0.00	1.00	1.00	+ 0.00

See the web site for 2006 values



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OPTIONS !

- **If you do it right and price in the top 80-90% but Low world values don't allow you to cover your costs of production there are OPTIONS!**
- **Puts-** Allow you to take a position in the market and make money on a down turn. (Broker)
- **Calls-** Allow you to take a position in the market and make money on a rally. (Broker)
- **Working Off Farm !** Allows you to keep farming!



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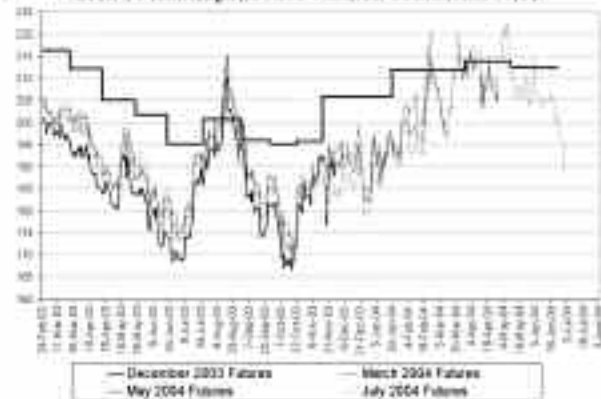
Hard Facts

- Production practices are Top Level. (GPS, precision placement, auto-steer, hybrids). You have this down to a fine science.
- Is producing more the answer ?????? Or is getting more out of what you produce a better long term solution.
- Every producer of a commodity needs to understand the markets that dictate the pricing of that commodity and be prepared to take advantage of those markets when an opportunity presents itself and there are a lot of them every year.
- It's time to sharpen your marketing skills... NOW !!



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2003-04 Minneapolis HRS Futures Settlement Price



Major Wheat Producers (million tonnes)



Source: USDA, CWB estimate



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### U.S. corn supply/disposition

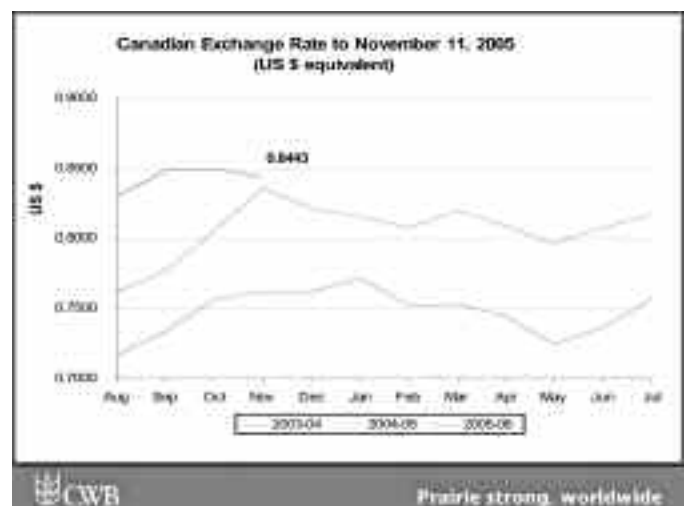
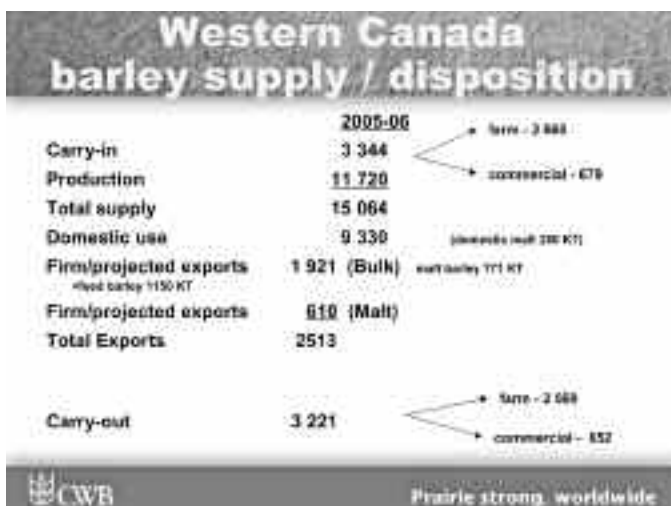
	2003-04	2004-05	2005-06F
	- Million tonnes -		
Carryin	28.6	24.4	53.8
Production	<u>256.3</u>	<u>299.9</u>	<u>276.6</u>
Total supply	285.2	324.6	329.8
Domestic use	212.6	224.8	222.5
of which ethanol	30.6	33.7	38.1
of which feed/residual	147.5	156.3	149.2
Exports	48.2	46.1	50.0
Carryout	24.4	53.8	56.3

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### Australia barley supply/disposition

	2003-04	2004-05	2005-06F
	- million tonnes -		
Carryin	482	1,244	907
Production	10,287	7,000	7,630
Total supply	10,769	8,244	8,537
Domestic use	1,986	2,622	2,727
Exports	6,996	4,715	4,250
of which feed	385	3,000	1,225
of which malting	2,125	1,000	1,350
of which malt	624	625	678
Carryout	1,244	907	1,580

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## The Perfect Plan !

- Let the Buyers buy low
- Let the Sellers sell High and
- Let the Speculators make up the difference out of their pockets!!

Source: CFB, CWB

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## QUESTIONS ??

Source: CWB

The Power of Western Canada's Grain Farmers