GRAIN MARKETING: ARE FARMERS REALLY THAT BAD?

Darrel L. Good, Scott H. Irwin and Joao Martines-Filho

Executive Summary

- It is commonly asserted that, on average, corn and soybean producers sell 2/3 of their crops in the bottom 1/3 of the price range.

- Average price received for corn and soybeans is “close” to the average price offered by the market in central Illinois.

- A new measure of the distribution of pricing opportunities is developed, with time-weighted price ranges based on pre- and post-harvest prices adjusted for carrying costs.

- Average price received for corn and soybeans tends to be in the middle third of the price range over 1990-1999 crop years.

- Evidence is inconsistent with argument that corn and soybean producers sell 2/3 of their crops in the bottom 1/3 of the price range.

- Performance of professional market advisory services provides useful perspective on the likely success of farmers in grain marketing.

- Little evidence that net advisory prices exceed market benchmark in corn.

- Substantial evidence net advisory prices exceed market benchmark in soybeans (+16 cents/bu.).

- Modest evidence that services exceed market benchmark for corn and soybean revenue ($3/acre).

- Few services have prices in the top 1/3 of price range for corn or soybeans.

- Better pricing performance tends to come at the cost of more risk.

- Few services outperform the market when both return and risk are considered.

- Quite difficult to predict “winners” and “losers” based on past pricing performance.

- Overall, the evidence suggests farmers will not easily beat the market.

- A new approach to grain marketing starts with farmers assessing past marketing performance and their skills in marketing.
Grain Marketing: Are Farmers Really That Bad?

Darrel Good, Scott Irwin, and Joao Martines

http://web.aces.uiuc.edu/farm.doc/
Grain Marketing: Are Farmers Really That Bad?

- Perception versus Reality
- Realistic Expectations for Success
- A New Approach
Grain Marketing: Perception versus Reality

- Perception: on average, corn and soybean producers sell 2/3 of their crops in the bottom 1/3 of price range

- Reality: ??
Farm Income Meeting Survey Results, December 12, 2000

<table>
<thead>
<tr>
<th>Question</th>
<th>True (%)</th>
<th>False (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On average, corn and soybean producers sell 2/3 of their crops in the 1/3 of the price range</td>
<td>77</td>
<td>23</td>
</tr>
</tbody>
</table>
WHAT CAN DTN AgDaily DO FOR YOU?

Today, there are two ways for producers to increase their bottom-line profit: increase production efficiency or market more effectively. American farmers and ranchers are already producing at record levels... but USDA statistics indicate farmers sell two-thirds of their crop in the bottom one-third of the crop's annual price range.
Grain Marketing: Reality

- Direct evidence: not available
- "Rough" evidence
Reality: Available Data

- Price received by farmers: NASS/USDA surveys elevators for bushels purchased and average price paid in IL – monthly basis

- Overnight bids of country elevators for #2 yellow corn and #1 yellow soybeans for Central IL – daily basis (IL Dept of Ag Market News/ILDA)
Reality: Data Adjustments for Comparisons (harvest equivalent)

- Average Price Received: weighted by the percent of crop marketed for each month (marketing year)
- Average Price Offered: weighted average of daily Central IL bids over two-year marketing window (one year before and one year after harvest)
- All post-harvest sales are adjusted for carrying costs (interest rate + commercial storage)
- Average Price Offered are adjusted for yield
Corn Price Offered, 1999 Crop Year

Pre-Harvest Forward Contract Bid Price + Average Harvest LDP

First Day of Harvest

Post-Harvest Cash Price + LDP

Average Loan Rate

Post-Harvest Cash Price + LDP - Carrying Charge
Comparison of Averages: Price Received to Price Offered for Corn Farmers in IL

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Price Received (Illinois)</th>
<th>Average Price Offered (Central Illinois)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>2.09</td>
<td>2.16</td>
</tr>
<tr>
<td>1991-92</td>
<td>2.19</td>
<td>2.23</td>
</tr>
<tr>
<td>1992-93</td>
<td>1.87</td>
<td>2.07</td>
</tr>
<tr>
<td>1993-94</td>
<td>2.34</td>
<td>2.25</td>
</tr>
<tr>
<td>1994-95</td>
<td>2.02</td>
<td>2.17</td>
</tr>
<tr>
<td>1995-96</td>
<td>3.06</td>
<td>2.90</td>
</tr>
<tr>
<td>1996-97</td>
<td>2.50</td>
<td>2.65</td>
</tr>
<tr>
<td>1997-98</td>
<td>2.23</td>
<td>2.33</td>
</tr>
<tr>
<td>1998-99</td>
<td>1.79</td>
<td>2.08</td>
</tr>
<tr>
<td>1999-00</td>
<td>1.66</td>
<td>1.84</td>
</tr>
</tbody>
</table>

---$/bushel---

Source: NASS/USDA and IL Dep of Ag Market News
Comparison of Averages: Price Received to Price Offered for Soybean Farmers in IL

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Price Received Illinois</th>
<th>Average Price Offered Central Illinois</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>5.49</td>
<td>5.56</td>
</tr>
<tr>
<td>1991-92</td>
<td>5.40</td>
<td>5.56</td>
</tr>
<tr>
<td>1992-93</td>
<td>5.43</td>
<td>5.61</td>
</tr>
<tr>
<td>1993-94</td>
<td>6.22</td>
<td>5.99</td>
</tr>
<tr>
<td>1994-95</td>
<td>5.29</td>
<td>5.59</td>
</tr>
<tr>
<td>1995-96</td>
<td>6.59</td>
<td>6.26</td>
</tr>
<tr>
<td>1996-97</td>
<td>7.17</td>
<td>7.08</td>
</tr>
<tr>
<td>1997-98</td>
<td>6.17</td>
<td>6.30</td>
</tr>
<tr>
<td>1998-99</td>
<td>4.72</td>
<td>5.27</td>
</tr>
<tr>
<td>1999-00</td>
<td>4.48</td>
<td>4.70</td>
</tr>
<tr>
<td>Average</td>
<td>5.70</td>
<td>5.79</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.83</td>
<td>0.65</td>
</tr>
</tbody>
</table>

---$/bushel---

Source: NASS/USDA and IL Dep of Ag Market News
Comparison of Price Distribution: Conventional Approach

- Post-harvest cash prices
- Range of prices = high - low
- Divide range into top third, middle third, and bottom third
- No adjustment for carrying costs
Conventional Approach: Corn Price in Central IL, 1999 Crop Year

- **Top Third of the Price Range**: 2.23
- **Middle Third of the Price Range**: 1.97
- **Bottom Third of the Price Range**: 1.45

$ per bushel

1999 Crop Year, Convetional
Comparison of Price Distribution: 
**Box Plot Approach**

- Pre- and Post-harvest cash prices (two-year marketing window)
- Adjustments for carrying costs (interest rate + commercial storage)
- Time weighted distribution
Box Plot Approach: Corn Price in Central IL, 1999 Crop Year

- **Top Third of the Price Range**: 2.39
- **Middle Third of the Price Range**: 2.11
- **Bottom Third of the Price Range**: 0.99
- **Average Price Offered**: 1.84
- **High**: 2.39
- **Low**: 0.99

1999 Crop Year, Box Plot
Conventional versus Box Plot Approach: Corn Price in Central IL, 1999 Crop Year
Corn Prices: Box Plot

<table>
<thead>
<tr>
<th>Year</th>
<th>$/bushel</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>4.73</td>
</tr>
<tr>
<td>1996</td>
<td>4.32</td>
</tr>
<tr>
<td>1997</td>
<td>2.88</td>
</tr>
<tr>
<td>1998</td>
<td>2.80</td>
</tr>
<tr>
<td>1999</td>
<td>2.39</td>
</tr>
</tbody>
</table>

$/bushel range:
- 1995: 2.22 to 5.00
- 1996: 2.21 to 4.73
- 1997: 1.79 to 2.88
- 1998: 1.10 to 2.47
- 1999: 0.99 to 2.11
Corn Prices: Perception

- 2/3 of the crop is marketed in the bottom third of price range
- 1/3 of the crop is marketed in the middle and top third of price range
Corn Prices: Perception

- 1995: 2.69
- 1996: 2.41
- 1997: 1.98
- 1998: 1.79
- 1999: 1.61
Corn Prices: Perception x “Reality”

"Rough Reality" = Price Received

Perception

$/bushel

Soybean Prices: Box Plot
Soybean Prices: Perception
Soybean Prices: Perception x “Reality”

"Rough Reality" = Price Received

Perception

$/bushel

Summary of Grain Marketing: Perception versus Reality

- Average price received for corn and soybeans in IL is “close” to the average price offered by the market in central Illinois.
- A new measure of the distribution of pricing opportunities is developed, with time-weighted price ranges based on pre- and post-harvest prices adjusted for carrying costs: box plot approach.
- Evidence is inconsistent with argument that corn and soybean producers sell 2/3 of their crops in the bottom 1/3 of the price range.
Key Points

- Does NOT prove that average price received by farmers equals the average price offered by the market.

- Farmers may under-perform the market, just not as much as popular perception.

- Likely a wide range of grain marketing performance across farmers.
Grain Marketing: Realistic Expectations for Success

- **Key Question**: What are the odds of a farmer consistently “beating the market?”
- Would like to have direct evidence on the pricing performance of farmers, but not available
- Examine five-year performance record of market advisory services in corn and soybeans for relevant evidence
## Farm Income Meeting Survey Results, December 12, 2000

<table>
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<th>False (%)</th>
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</thead>
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<tr>
<td>On average, corn and soybean producers sell 2/3 of their crops in the bottom 1/3 of the price range</td>
<td>77</td>
<td>23</td>
</tr>
<tr>
<td>In general, professional market advisory services’ recommendations result in average prices in the top 1/3 of the price range</td>
<td>28</td>
<td>72</td>
</tr>
</tbody>
</table>
Is a market advisory service a tool to receive a higher than average price?

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not at all</td>
<td>%</td>
<td>2.1</td>
<td>1.8</td>
<td>3.1</td>
<td>2.3</td>
<td>9.8</td>
<td>19.8</td>
<td>22.3</td>
<td>15.3</td>
<td>23.4</td>
</tr>
<tr>
<td>Certainly</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Agricultural Market Advisory Service Project (AgMAS)

- Little research on performance of market advisory services
- In 1994, the AgMAS Project was started
  - Goal of providing unbiased and rigorous performance evaluation
  - Evaluate performance in marketing corn, soybeans and wheat
Contacting the AgMAS Project

- **Project Manager:** Joao Martines-Filho
- **Office Address:** 434a Mumford Hall, 1301 West Gregory Drive, University of Illinois, Urbana, IL 61801
- **Phone:** (217)333-2792
- **Email:** agmas@uiuc.edu
- **Website:** web.aces.uiuc.edu/farm.doc/agmas
AgMAS Review Panel

- External panel reviews all research output of the AgMAS Project
- Members:
  - Frank Beurskens, E-markets
  - Jeffrey Brunoehler, Illinois banker
  - Renny Ehler, Illinois Farmer
  - Chris Hurt, Purdue University
  - Terry Kastens, Kansas State University
  - Robert Wisner, Iowa State University
Two Important Questions

- Do market advisory services, on average, outperform an appropriate market benchmark?
- Is market advisory service performance predictable from year-to-year?
AgMAS Data Collection

- Tracking about 25 advisory services since September 1994
- Paid subscriptions obtained for each service
- Recommendations recorded in “real-time”
Examples of Advisory Service Recommendations

- **Stewart-Peterson Advisory Service:**
  - May 12, 1995: forward contract 10% of 1995 expected corn production

- **Zwickerer Advisory Service**
  - February 1, 1996: buy November 96 soybean futures at $7.08 to use as a replacement for 50% of 1995 crop cash sales to date
Simulation of Advisory Service Performance

- Simulation for central Illinois farm
- Two-year marketing window
- Transactions applied to expected or actual yield per acre
- Cash sales are discounted for interest and storage charges
- Net advisory prices are stated in harvest equivalent terms
- LDPs/MLGs included for 1998 and 1999 crops
## Calculation of Net Advisory Prices: 1998 Corn

<table>
<thead>
<tr>
<th>Market Advisory Program</th>
<th>Unadjusted Cash Sales Price</th>
<th>Carrying Charges</th>
<th>Futures &amp; Options</th>
<th>Net Cash Sales Price</th>
<th>MLG</th>
<th>Net Advisory Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash Sales Costs</td>
<td>Interest Costs</td>
<td>Storage Costs</td>
<td>Shrink Costs</td>
<td>Net Cash Sales Price</td>
<td>Options Gain</td>
</tr>
<tr>
<td>Ag Line (cash-only)</td>
<td>2.20</td>
<td>0.03</td>
<td>0.10</td>
<td>0.03</td>
<td>2.05</td>
<td>0.00</td>
</tr>
<tr>
<td>Ag Line (hedge)</td>
<td>2.20</td>
<td>0.03</td>
<td>0.10</td>
<td>0.03</td>
<td>2.05</td>
<td>0.11</td>
</tr>
<tr>
<td>Ag Profit</td>
<td>2.13</td>
<td>0.06</td>
<td>0.18</td>
<td>0.04</td>
<td>1.86</td>
<td>-0.07</td>
</tr>
</tbody>
</table>
Market Benchmark Price

- Benchmark needed to evaluate performance relative to the pricing opportunities provided by the market
- Use the average cash price over the two-year marketing window for a crop
  - 1 year pre-harvest: daily forward cash prices
  - 1 year post-harvest: daily spot cash prices
Average Net Advisory Prices, Corn, 1995-1999
Average Net Advisory Prices, Soybeans, 1995-1999
Average 50/50 Advisory Corn and Soybean Revenue, 1995-1999
### Number of Advisory Programs Above Market Benchmark

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn (%)</th>
<th>Soybeans (%)</th>
<th>Revenue (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>72</td>
<td>84</td>
<td>76</td>
</tr>
<tr>
<td>1996</td>
<td>38</td>
<td>79</td>
<td>67</td>
</tr>
<tr>
<td>1997</td>
<td>43</td>
<td>62</td>
<td>48</td>
</tr>
<tr>
<td>1998</td>
<td>30</td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td>1999</td>
<td>54</td>
<td>60</td>
<td>48</td>
</tr>
<tr>
<td>1995-99</td>
<td>48</td>
<td>64</td>
<td>54</td>
</tr>
</tbody>
</table>
## Average Program Returns Above Market Benchmark

<table>
<thead>
<tr>
<th>Year</th>
<th>Corn ($/bu.)</th>
<th>Soybeans ($/bu.)</th>
<th>Revenue ($/acre)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>+14</td>
<td>+33</td>
<td>15</td>
</tr>
<tr>
<td>1996</td>
<td>-2</td>
<td>+19</td>
<td>2</td>
</tr>
<tr>
<td>1997</td>
<td>-1</td>
<td>+10</td>
<td>1</td>
</tr>
<tr>
<td>1998</td>
<td>-7</td>
<td>-5</td>
<td>-6</td>
</tr>
<tr>
<td>1999</td>
<td>-3</td>
<td>+17</td>
<td>2</td>
</tr>
<tr>
<td>1995-99</td>
<td>0</td>
<td>+16</td>
<td>+3</td>
</tr>
</tbody>
</table>
# Pricing Performance Compared to the Distribution of Market Prices, Corn, 1995-1999

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Top 1/3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Top 1/3</td>
<td>16.0</td>
<td>7.7</td>
<td>17.4</td>
<td>0.0</td>
<td>3.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Middle 1/3</td>
<td>80.0</td>
<td>80.8</td>
<td>43.5</td>
<td>100.0</td>
<td>84.6</td>
<td>78.0</td>
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<tr>
<td>Bottom 1/3</td>
<td>4.0</td>
<td>11.5</td>
<td>39.1</td>
<td>0.0</td>
<td>11.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Below Bottom 1/3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Pricing Performance Compared to the Distribution of Market Prices, Soybeans, 1995-1999

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Top 1/3</td>
<td>4.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Top 1/3</td>
<td>32.0</td>
<td>8.3</td>
<td>23.8</td>
<td>4.5</td>
<td>44.0</td>
<td>23.1</td>
</tr>
<tr>
<td>Middle 1/3</td>
<td>60.0</td>
<td>83.3</td>
<td>71.4</td>
<td>90.9</td>
<td>48.0</td>
<td>70.1</td>
</tr>
<tr>
<td>Bottom 1/3</td>
<td>4.0</td>
<td>8.3</td>
<td>4.8</td>
<td>4.5</td>
<td>0.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Below Bottom 1/3</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>4.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Average Net Advisory Price and Risk, Corn, 1995-1999

Correlation = + 0.55

Market Benchmark

Average Net Advisory Price ($/bu.)

Standard Deviation of Net Advisory Price ($/bu.)
Pricing Performance and Risk Relative to Benchmark

- Higher Price
  - Less Risk
- Lower Price
  - Less Risk
- Higher Price
  - More Risk
- Lower Price
  - More Risk

Market Benchmark

Average Net Advisory Price ($/bu.) vs. Standard Deviation of Net Advisory Price ($/bu.)
Pricing Performance and Risk Relative to Benchmark, Corn, 1995-1999

- Higher Price, Less Risk (1 program)
- Higher Price, More Risk (4 programs)
- Lower Price, Less Risk (4 programs)
- Lower Price, More Risk (9 programs)

The graph shows the relationship between the average net advisory price and the standard deviation of net advisory price, highlighting different risk profiles across various programs.
Average Net Advisory Price and Risk, Soybeans, 1995-1999

Correlation = -0.36

Market Benchmark
Pricing Performance and Risk Relative to Benchmark, Soybeans, 1995-1999

![Graph showing pricing performance and risk relative to benchmark for soybeans from 1995 to 1999. The graph plots average net advisory price against standard deviation of net advisory price. The data points are categorized into three groups: higher price with less risk (4 programs), higher price with more risk (10 programs), and lower price with less risk (0 programs) and lower price with more risk (4 programs).]
Average Net Advisory Price and Risk, 50/50 Revenue, 1995-1999

Correlation = + 0.47

Standard Deviation of 50/50 Advisory Revenue ($/acre)

Average Advisory 50/50 Revenue ($/acre)

Market Benchmark
Pricing Performance and Risk Relative to Benchmark, 50/50 Revenue, 1995-1999

- Higher Revenue, Less Risk (0 programs)
- Higher Revenue, More Risk (8 programs)
- Lower Revenue, Less Risk (3 programs)
- Lower Revenue, More Risk (7 programs)

Standard Deviation of 50/50 Advisory Revenue ($/acre)

Average 50/50 Advisory Revenue ($/acre)
Perfect Predictability of Advisory Service Program Rank

![Graph showing perfect predictability of advisory service program rank. The x-axis represents the 1995 rank, ranging from 0 to 30, and the y-axis represents the 1996 rank, also ranging from 0 to 30. The graph shows a perfect linear relationship between the two ranks.]
Advisory Service Program
Rank, Corn, 1995 vs. 1996

Correlation = 0.26
Advisory Service Program
Rank, Corn, 1996 vs. 1997

\[
\text{Correlation} = -0.04
\]
Advisory Service Program
Rank, Corn, 1997 vs. 1998

Correlation = 0.51
Advisory Service Program
Rank, Corn, 1998 vs. 1999

Correlation = 0.41
Advisory Service Program Rank, Soybeans, 1995 vs. 1996

Correlation = 0.2
Advisory Service Program Rank, Soybeans, 1996 vs. 1997

Correlation = 0.05
Advisory Service Program Rank, Soybeans, 1997 vs. 1998

Correlation = 0.16
Advisory Service Program Rank, Soybeans, 1998 vs. 1999

Correlation = 0.64
Advisory Service Program Rank, 50/50 Revenue, 1995 vs. 1996

Correlation = 0.33
Advisory Service Program Rank, 50/50 Revenue, 1996 vs. 1997

Correlation = -0.05
Advisory Service Program Rank, 50/50 Revenue, 1997 vs. 1998

Correlation = 0.17
Advisory Service Program Rank, 50/50 Revenue, 1998 vs. 1999

Correlation = 0.54
Advisory Service Program Rank, Corn vs. Soybeans, 1995

Correlation = 0.54
Advisory Service Program Rank, Corn vs. Soybeans, 1996

Correlation = 0.05
Advisory Service Program Rank, Corn vs. Soybeans, 1997

Correlation = 0.33
Advisory Service Program Rank, Corn vs. Soybeans, 1998

Correlation = 0.15
Advisory Service Program Rank, Corn vs. Soybeans, 1999

Correlation = 0.09
Summary of Pricing Performance of Advisory Services

- Little evidence that net advisory prices exceed market benchmark in corn
- Substantial evidence net advisory prices exceed market benchmark in soybeans (+16 cents/bu.)
- Modest evidence that services exceed market benchmark for corn and soybean revenue ($3/acre)
- Few services have prices in the top 1/3 of price range for corn or soybeans
Summary of Pricing Performance of Advisory Services

- Better pricing performance tends to come at the cost of more risk
- Few services outperform the market when both return and risk are considered
- Quite difficult to predict “winners” and “losers” based on past pricing performance

Overall: Tough to beat the market
Grain Marketing:
A New Approach
What Is My Grain Marketing Track Record?

- Good? ______
- Average? ______
- Poor? ______
Average Price Received Compared to a Realistic Benchmark

- Last Year? ______
- 3 Year Average? ______
- 5 Year Average? ______
Yes, I’m Good!

• Inclined to be an Active Marketer
Active Marketer Needs:

- Information
- Analysis
- Education
- Advisor
Information, Analysis, Education

- http://web.aces.uiuc.edu/farm.doc
- University of Illinois Extension
- Private Sector
Choosing An Advisor

- Past Performance
- Marketing Profile
1998 Corn Marketing Profile for Pro Farmer Cash Program
1998 Corn Marketing Profile for Brock Hedge Program
1995 Corn Marketing Profile for Ag Resource Program
1996 Corn Marketing Profile for Ag Resource Program
1997 Corn Marketing Profile for Ag Resource Program
1998 Corn Marketing Profile for Ag Resource Program
I’m A Poor Marketer

- Inclined to be a Passive Marketer
Select A Passive Strategy

- Indexing
- Mechanical Do-It-Yourself
Indexing

- Select an External Source to Trigger Sales
Comparison of 24-Month Market Benchmark to Mechanical Strategy - Corn

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Comparison of 24-Month Market Benchmark to Mechanical Strategy - Soybeans

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Mechanical Strategy

- Price Equal Amounts Every Other Month for Two Years
- Will You Do It?
Portfolio of Active and Passive

- Percent of Crop
- Corn/Soybeans
The End
An active marketer believes they can beat the market, so they should adopt strategies that attempt to time pricing decisions during periods of high prices.

A passive marketer does not believe they can beat the market, so they should adopt strategies that simply achieve the average price offered by the market.

Farmers should consider marketing in a portfolio context where the two components are active and passive marketing.

A key decision is the weights that a farmer places on the active and passive marketing components.