Marketing Grains in California

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Fresno, California
Penny Newman Locations

- Fresno
- Bakersfield
- Aberdeen, MS
- Amarillo, TX
- Wyndemere, ND
- Sacramento
- Stockton
- Boise, ID
- Memphis, TN
- Vienna, GA
- Boise, ID

* National capital
* State capital

Scale: 1:13,500,000
Albers Equal-Area Projection
Products and Services

• Feed Products
  – Cotton Seed
  – Grain By-Products
    • Dried Distiller’s Grain
    • Canola
    • Corn Gluten Feed
    • Ground and Rolled Grains
  – Liquid Feeds
    • Molasses
Products and Services

• **Storage and Trans Loading**
  – Vessel
    • Port of Stockton, CA
  – Rail
    • Fresno (Unit Trains)
    • Stockton
    • Idaho
    • North Dakota (Liquid)
    • South (MS, TN, GA)
  – Trucks
    • All Facilities
    • Local Delivery
Products and Services

- **Grain Merchandising**
  - Planting Seed Distribution
    - Hard Red Wheat
    - Hard White Wheat
    - Durum Wheat
    - Grain Triticale
    - Barley
  - Commodity Brokering
    - Wheat
    - Barley
    - Corn
    - Triticale
    - Safflower
    - Feed Grains
Wheat Market History

Kansas City July Contracts – Hard Red Wheat

$5.00/bu

$3.00/bu

$2.50/bu

January 1997

January 2005
Wheat Market History

Kansas City July Contracts – Hard Red Wheat

January 2005

December 2012

$13.50/bu

$9.00/bu

$3.00/bu
Things to Consider...

- Crop to Contract
  - Hard Red
  - Hard White
  - Durum
  - Soft White
  - Triticale
  - Feed Wheat
  - Silage
  - Barley
  - Corn
  - Safflower
  - Etc...
Things to Consider...

- **Type of Contract**
  - Tonnage (tons, bushels, cwt, etc...)
    - Grower takes risk on amount delivered
  - Acreage/”Balance of Production”
    - Broker takes risk on amount delivered

- **Freight Terms**
  - Delivered Price
  - F.O.B. Price

- **Delivery Period**
  - Open ended
  - Time Period Sensitive
    - Penalties?
    - Storage
Things to Consider...

• Discount Schedule
  – Protein
  – Moisture
  – Dockage
  – Assessment/Checkoff

• Logistics
  – Delivery Location(s)
  – Harvest Window
  – Restrictions on delivery
  – Wait time at delivery location
Things to Consider...

• Market Price
  – Which market based off of-
    • Kansas City
    • Chicago
    • Portland
    • Local Price

• Basis
  – Amount above or below the market
  – Based on:
    • Local Demand
    • Freight
    • Volatility
Contracting Grain

• When can you contract:
  – Anytime that your contract period is being traded
    • Brokers who hedge
    • Crop dependent
    • Exceptions...
  – When contracts are being offered
    • i.e. Durum, Safflower
  – At harvest
  – After harvest
“Playing the Market”

- How much to contract?
  - Field History
  - Water/Irrigation Situation
  - Market Situation
“Playing the Market”

• What if you under-contract? (tonnage contract)
  – Contracted amount paid at contracted price
  – Balance of crop not committed to same broker
  – Balance can be priced when grower chooses
  – Brokers may charge storage or “roll-over” fee on balances after a certain time
“Playing the Market”

• What if you over-contract? (tonnage contract)
  – If contract price is higher than market price:
    • Balance “washed” or forgiven
    • Can purchase wheat elsewhere to deliver on contract
  – If contract price is lower than market price:
    • Can be charged the difference in market price for undelivered portion
    • Can purchase wheat elsewhere to deliver on contract
Bottom Line...

• Be Informed
  – Research prices with different brokers
  – Know the terms, conditions, and discounts

• Be Conservative
  – Be aware of risks of overcommitting

• Don’t be greedy
  – At what price are you profitable?
  – Is there more upside than downside to the market?
Any Questions?

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