

Marketing Really Is This Simple

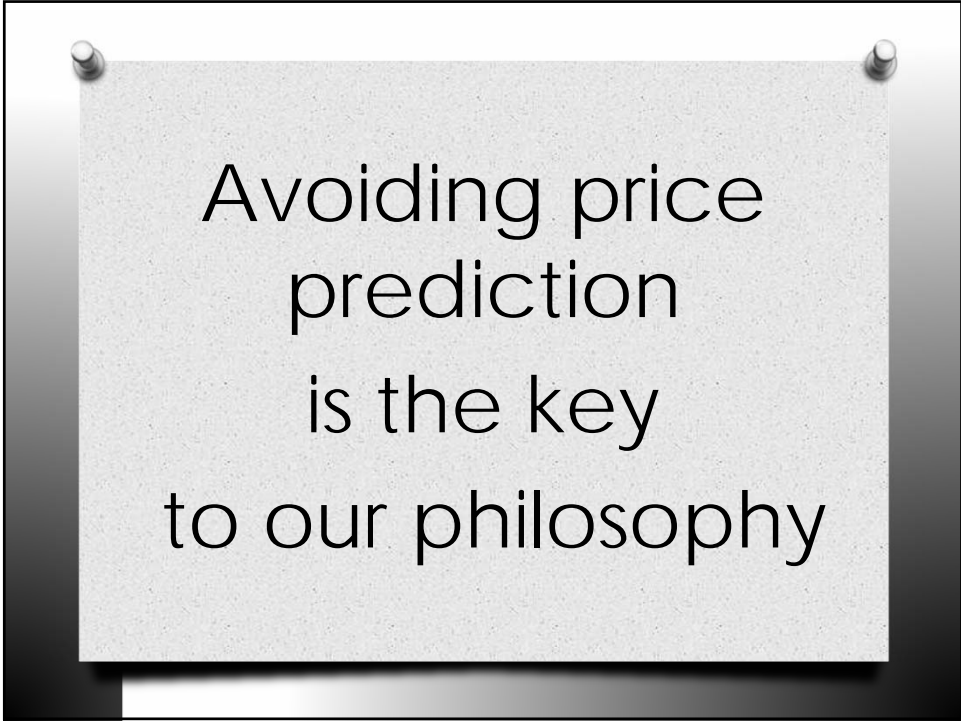


Presented By:
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Advance Trading

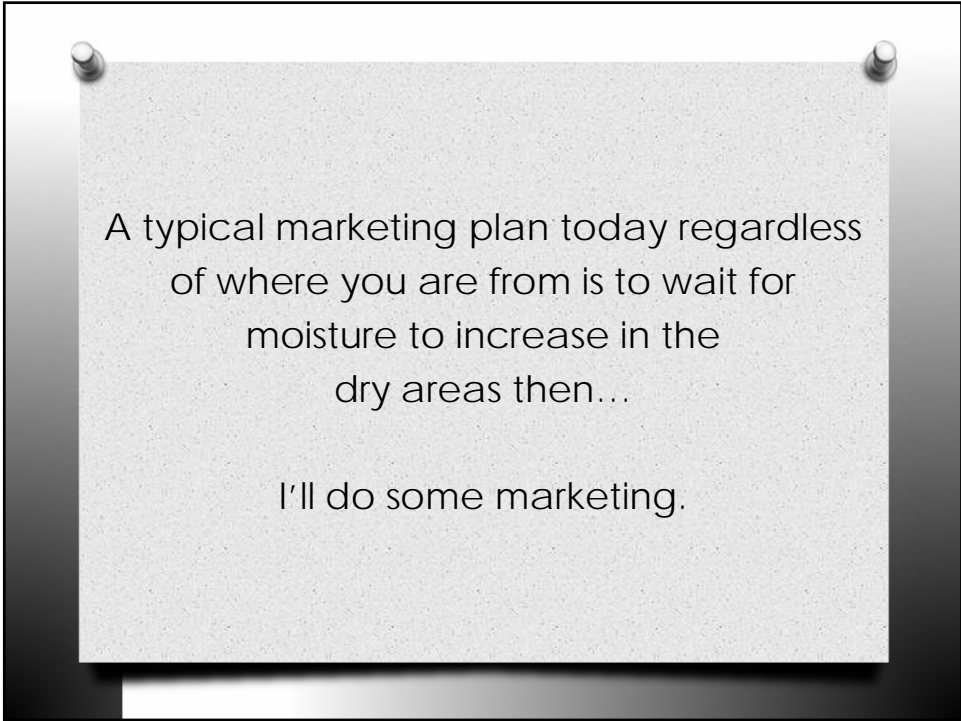
Market goes up, market goes down.
Dry years, wet years, or normal years.



However, the marketing philosophy
you choose to follow can give you
a lifetime of success no matter what.



Avoiding price
prediction
is the key
to our philosophy



A typical marketing plan today regardless
of where you are from is to wait for
moisture to increase in the
dry areas then...

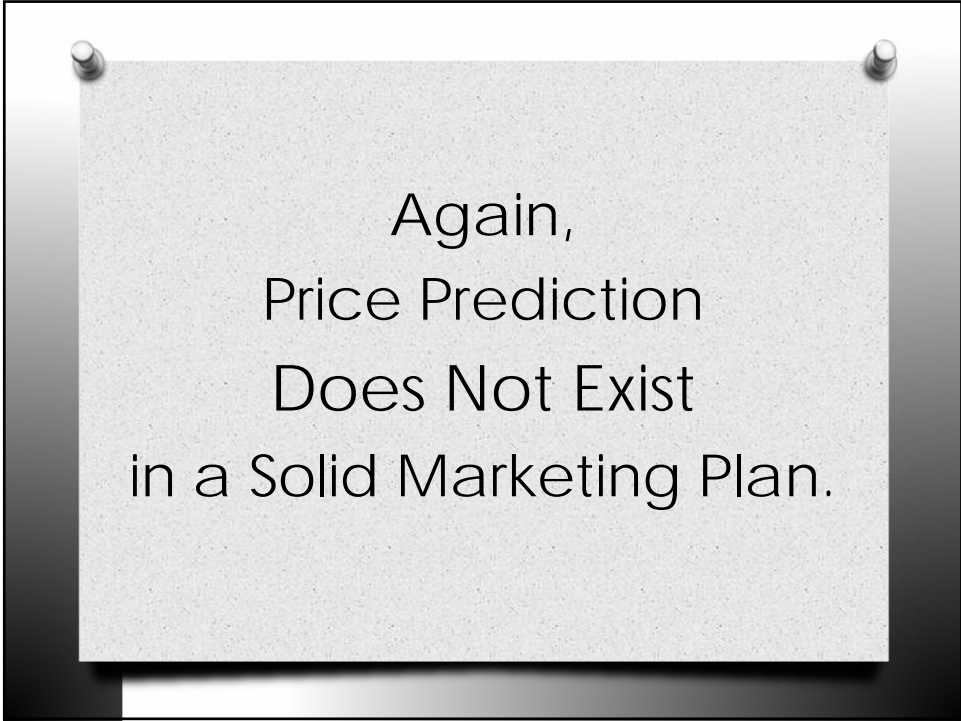
I'll do some marketing.

With an improved balance sheet for the producer, we continue to see more companies trying to offer marketing and marketing OTC's/Derivatives to the producer.

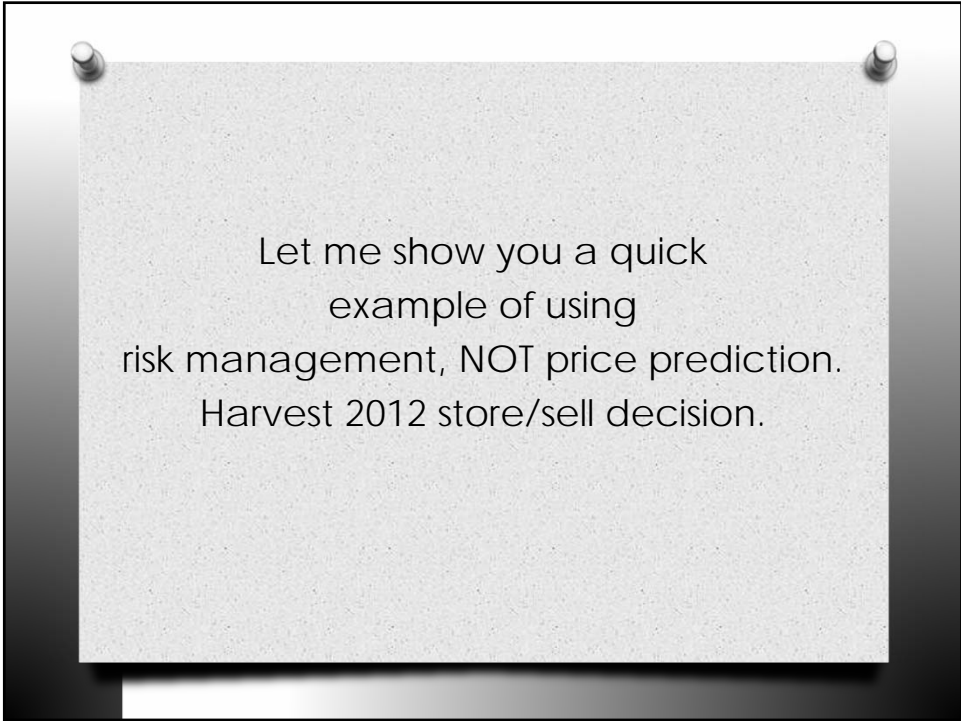
This may or may not be a positive for you Johnny-Come-Latelys to risk management.

With The Cost of Production Increasing,
Doesn't This Increase The Need To Manage Price?

- We certainly believe so.
- Despite historically high prices, it really doesn't mean that a drop in price can reduce/eliminate our margin/profit.

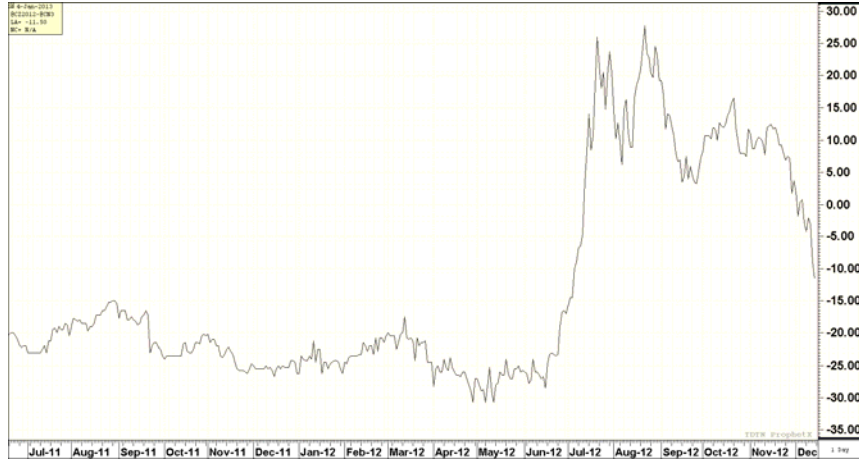


Again,
Price Prediction
Does Not Exist
in a Solid Marketing Plan.



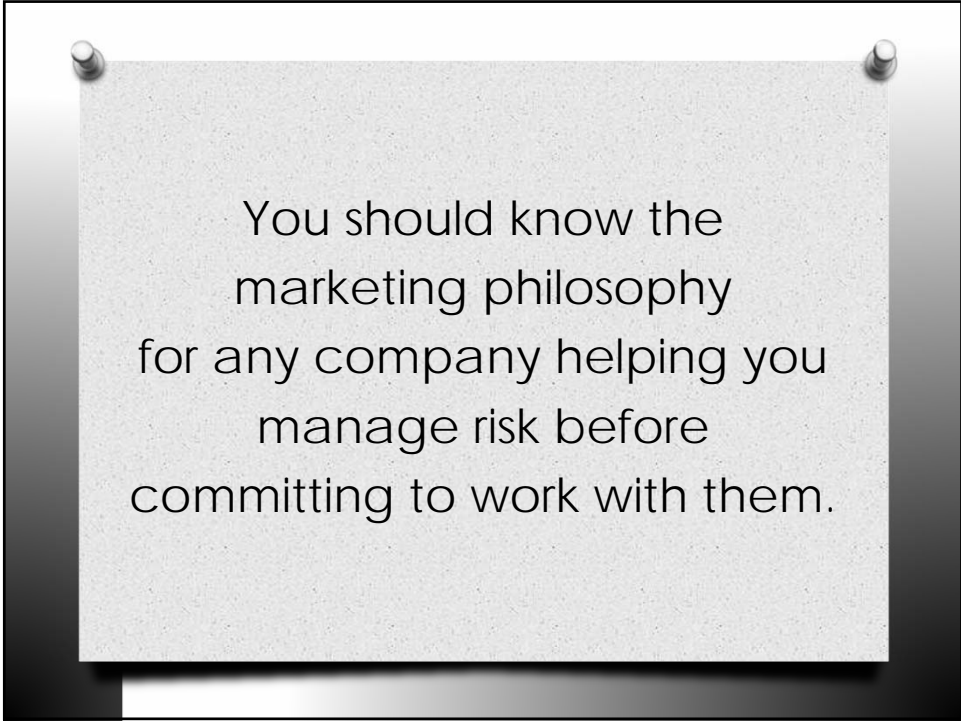
Let me show you a quick
example of using
risk management, NOT price prediction.
Harvest 2012 store/sell decision.

CZ2012/CN2013 Corn Spread—Market Provided No Incentive to Store

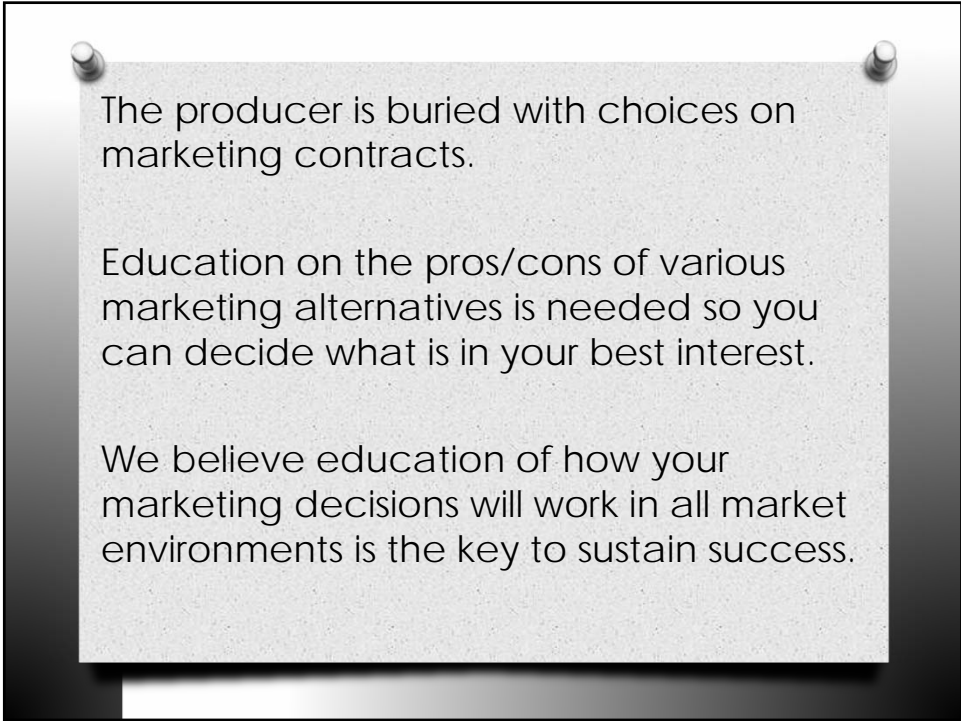


SF2013/SN2013 Soybean Spread—Market Provided No Incentive to Store





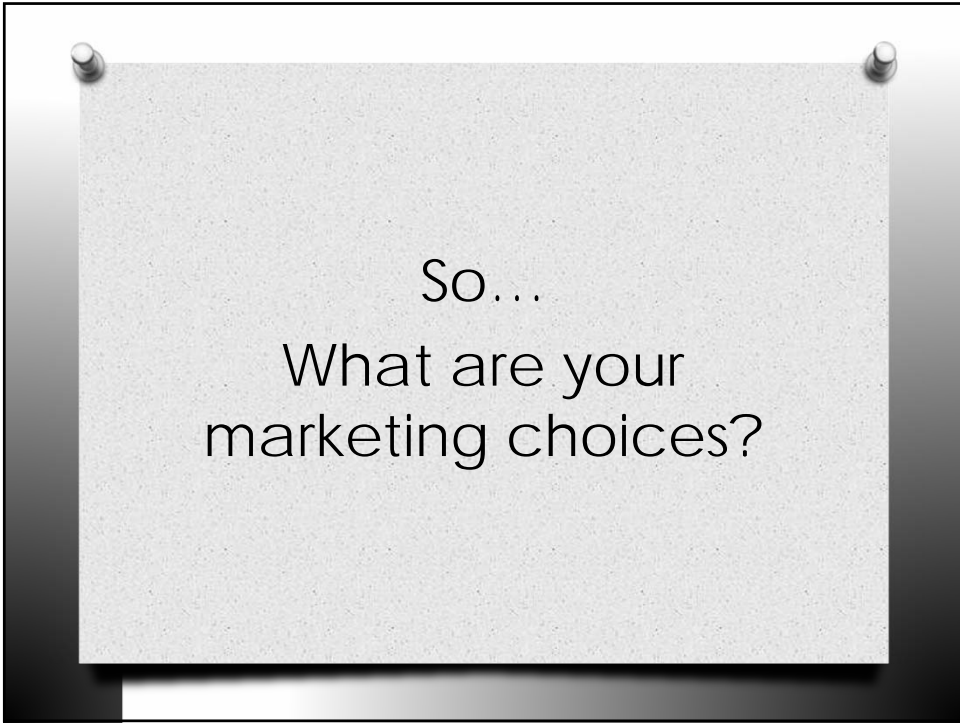
You should know the marketing philosophy for any company helping you manage risk before committing to work with them.




The producer is buried with choices on marketing contracts.

Education on the pros/cons of various marketing alternatives is needed so you can decide what is in your best interest.

We believe education of how your marketing decisions will work in all market environments is the key to sustain success.

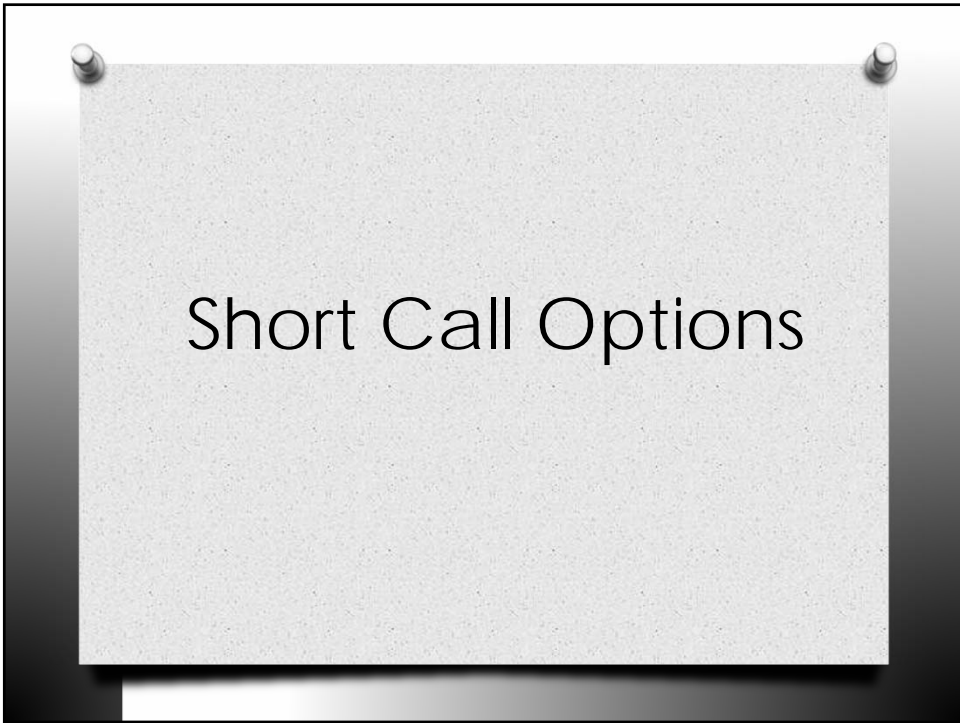
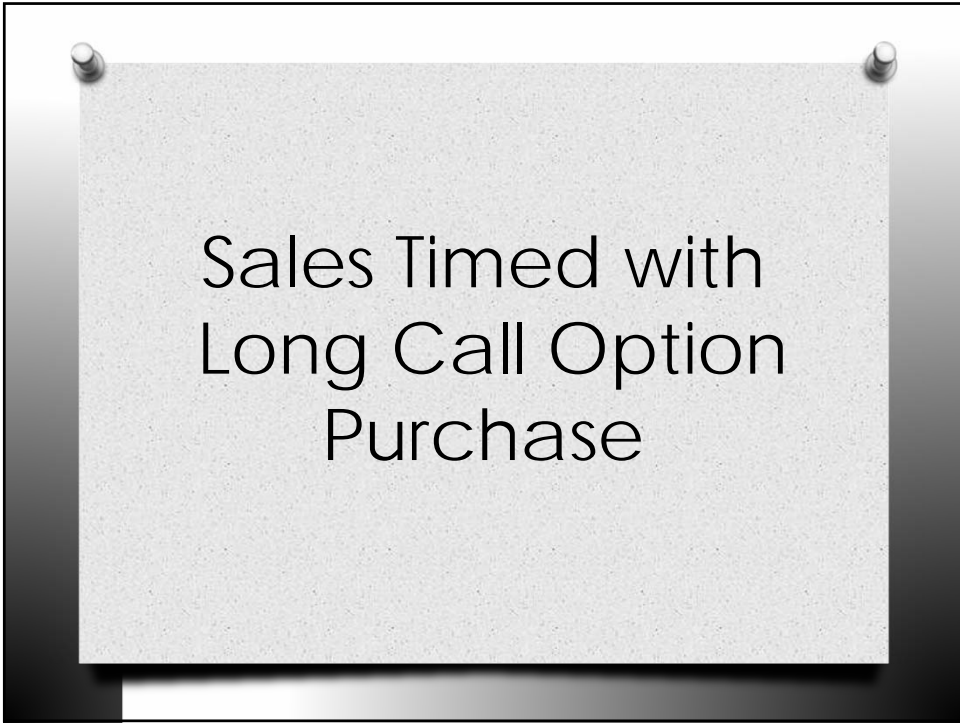




Hedge to Arrive
- Futures only -
No Basis
Established



Purchase Puts Against
Unsold Bushels



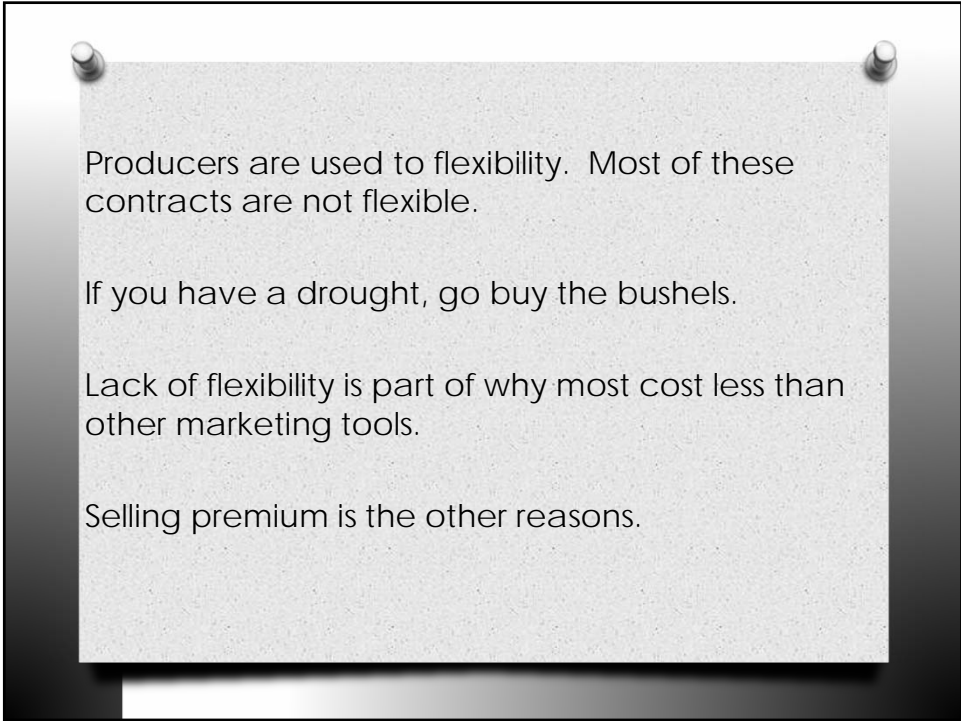
Short Options/Hybrid Contracts

- ✓ Price is increased by selling premiums- using short options.
- ✓ You may wish to market 1 crop year, but you end up managing 2 crop years.
- ✓ Do you understand how you could potentially end up doubling your bushels?
- ✓ Do you understand how you can be potentially knocked out of your sale if prices break to the downside?
- ✓ Our recommendation is to wait on executing these types of contracts until you understand double ups or knock outs.

Basis Contract



Delayed Price (DP)

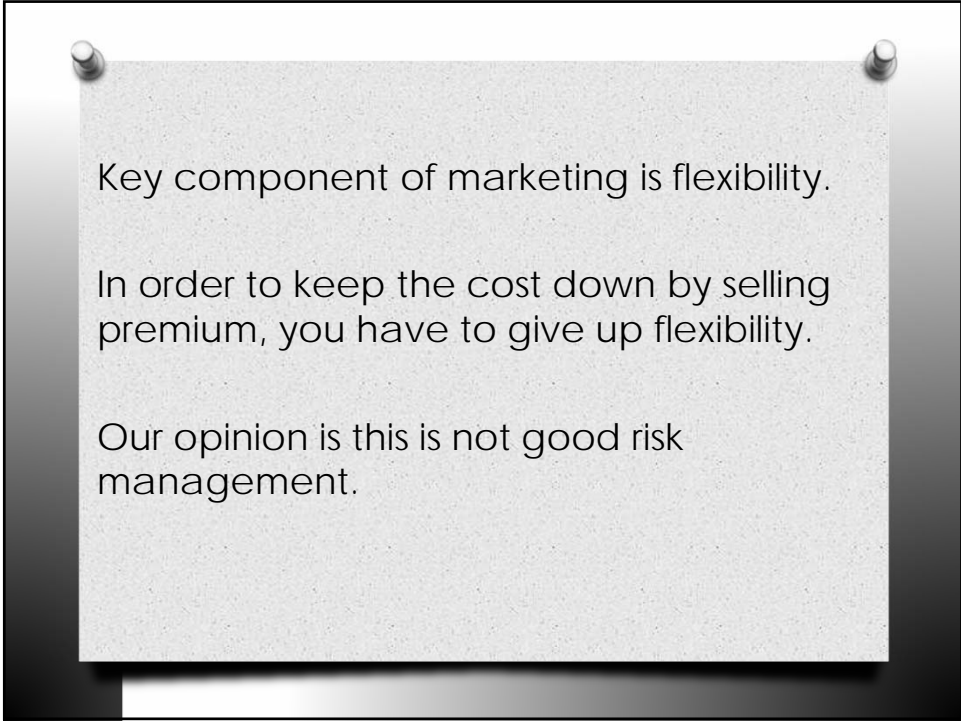


Producers are used to flexibility. Most of these contracts are not flexible.

If you have a drought, go buy the bushels.

Lack of flexibility is part of why most cost less than other marketing tools.

Selling premium is the other reasons.



Key component of marketing is flexibility.

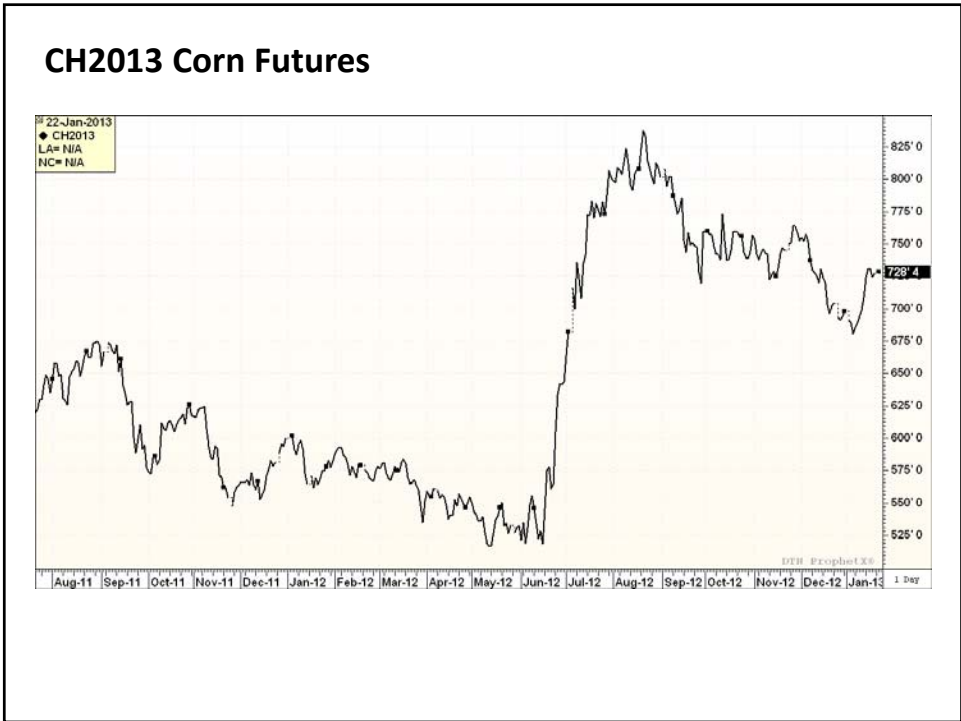
In order to keep the cost down by selling premium, you have to give up flexibility.

Our opinion is this is not good risk management.



Why is flexibility
so important?

Change Is The Only
Constant In The Markets

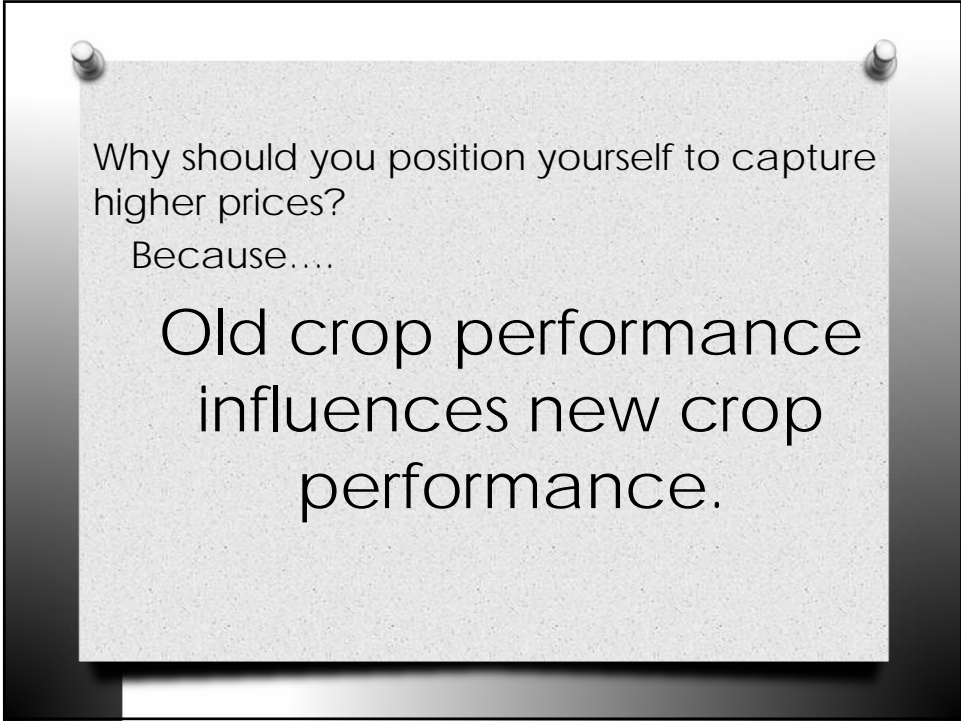


SH2013 Soybean Futures



Are You Capturing Higher Prices?

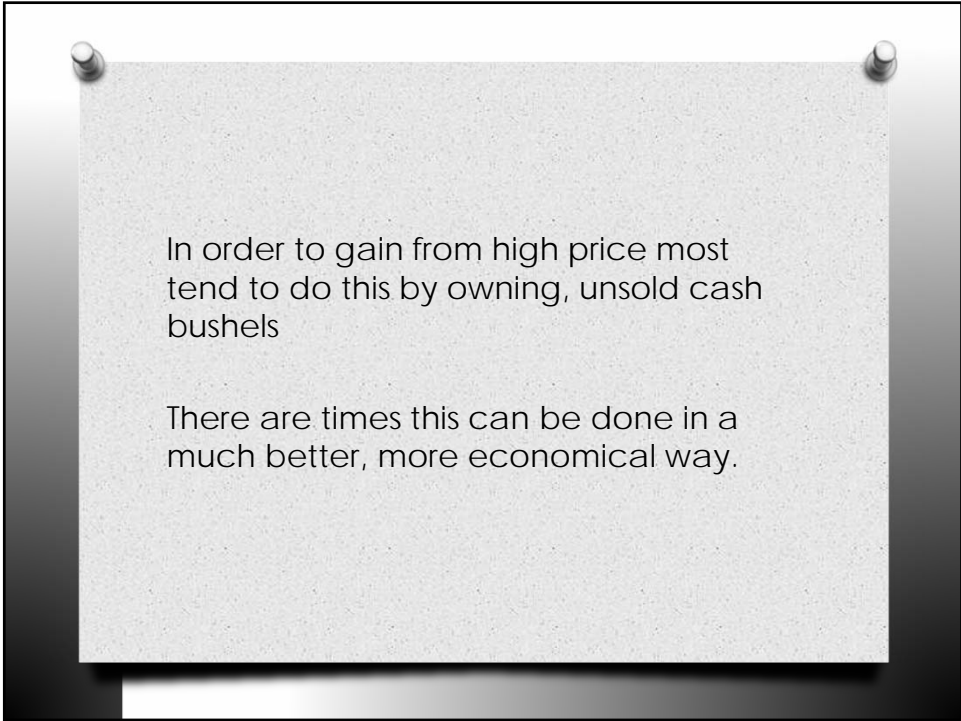
- ✓ If yes, How are you doing that?
- ✓ If not, why not?
- ✓ There is potential for too many dollars to be left on the table.
- ✓ This could be a factor if prices decrease or expenses continue to increase.



Why should you position yourself to capture higher prices?

Because....

Old crop performance influences new crop performance.



In order to gain from high price most tend to do this by owning, unsold cash bushels

There are times this can be done in a much better, more economical way.

Experience has taught us that the only way to consistently manage volatility is to manage an option position.

Rolling puts and calls to increase minimum price higher.

Do you have the opportunity to increase price on your marketing plan/strategy?

So How Do Most Manage Risk?

- ✓ Find a reason to put off making a decision.
- ✓ Can always find a story that says price are going higher.
- ✓ Problem with that is the writer is often making a prediction.
- ✓ Truth is no one has any idea what the market is going to do.
- ✓ So you are long futures and long basis if unsold.

Scale Up Selling

Most popular way of marketing

Does it work?

Seems like we sell too much too early in higher markets.

Never seem to have sold enough in down markets.

We are just a few days away from the February averaging period for crop insurance.

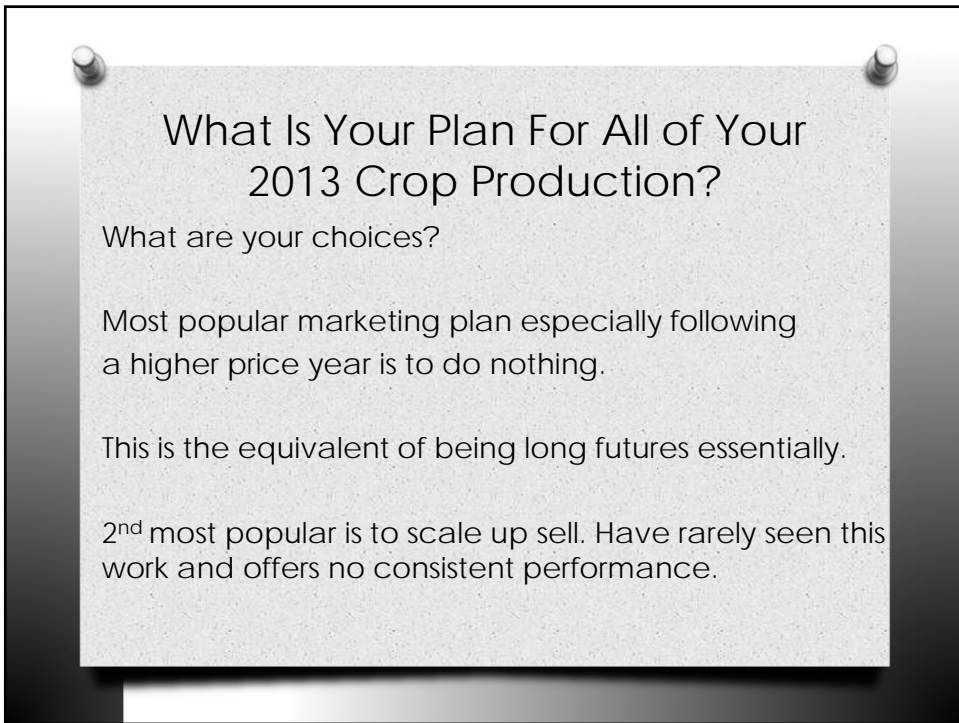
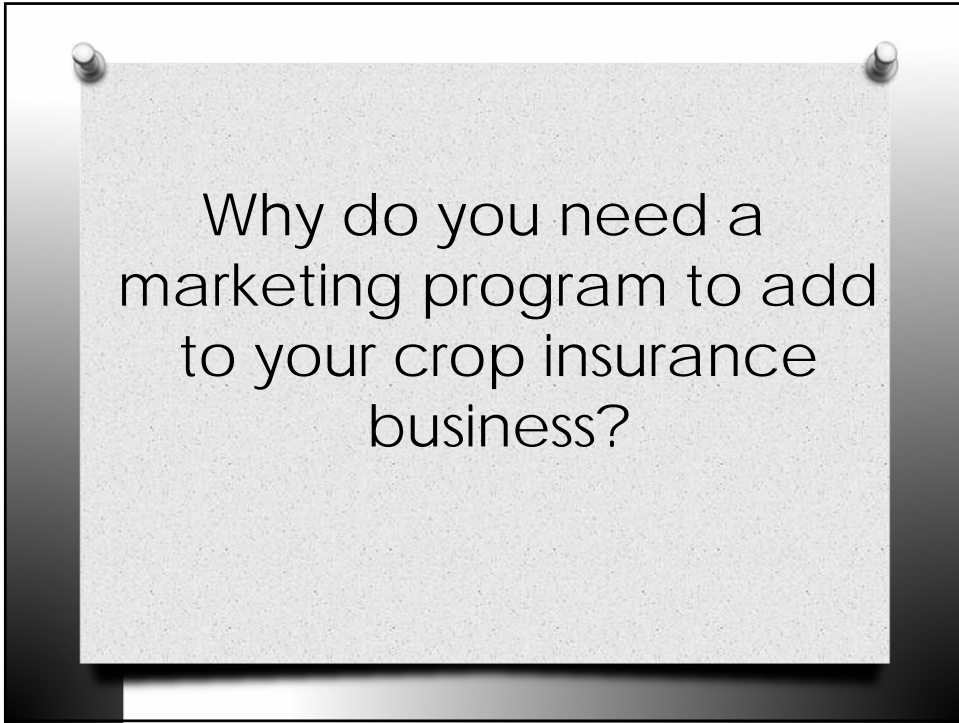
How Does Crop Insurance Fit?



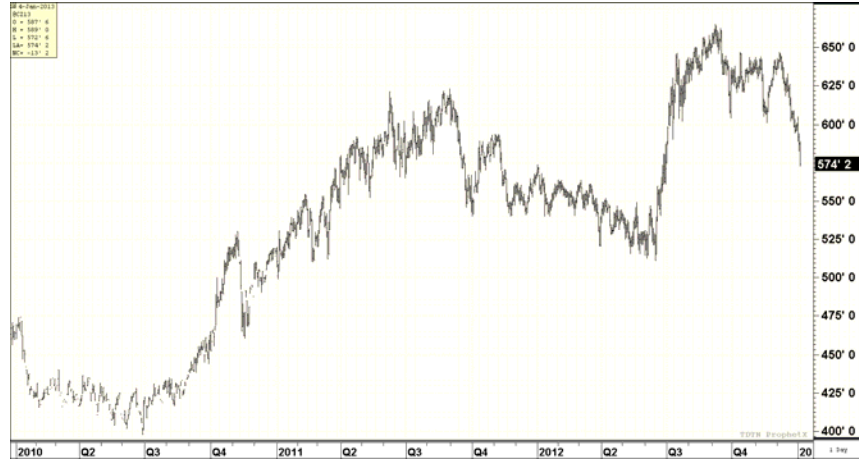
The perfect risk management program includes both crop insurance and farmer marketing.

Crop Insurance Has Many Benefits But It Is Not A Marketing Program

- What do you plan to do prior to when the crop insurance average is set?
- What do you plan to do when/if prices rise above average price level?
- Lastly, what will you do after 2nd averaging period ends? Typically harvest/post harvest time period?



CZ2013 Corn Futures



SX2013 Soybean Futures



You Can Forward Price Your Production

Highly unlikely we would
see much farmer selling

- Year after a higher price year
- Year after a drought
- Price & Production Risk

It Really Is This Simple!

Stored Bushels → risk of lower prices to loan.

Buy puts OR sell bushels with purchase of calls.

Sold bushels → risk of higher prices buy calls.

Summary

- ✓ Know the philosophy of any contract or marketing service.
- ✓ Avoid price prediction.
- ✓ Find Consistency
- ✓ Know the pricing outcomes of any contract or strategy you choose to execute.
- ✓ Have a plan for 100% of expected production
- ✓ Maintain flexibility.
- ✓ Continue to educate yourself.

Disclaimer

This data is provided for information purposes only and is not intended to be used for specific trading strategies without consulting Advance Trading, Inc.

Because trading futures and options normally involves risk, determining the appropriateness of hedging with futures and options can only be made on a case-by-case basis.

All information is based upon data that is believed to be reliable. However, we cannot guarantee the accuracy or completeness of the data.

Short Dated Options

- They may or may not fit your operation
- However, find a way to learn how they work and become educated on this tool.