

Winter 2019-20 Alkire Advisory Education Series

Module 1: Midwest Grain Trade History



“Midwest Grain Trade History” – [Link](#) for a short video (3 min).

This video is one of 19 available from the CME, which we will use for our winter education series.

The futures markets we use today began in the 1800s out of necessity to regulate the flow of grain during the crop year.

The government-regulated futures market performs several key functions:

Who Wins: Commercials or Specs?

Bunge Founded in 1818
Louis Dreyfus Founded in 1851
Cargill Founded in 1865
Archer Daniels Midland Founded in 1902

Average lifespan of a Managed Futures fund? **4 1/2 years**

How & why? *Commercials make money speculating on predictable moves (basis & spreads), managed funds speculate on unpredictable moves (flat price).*

Alkire Advisory helps farmers operate like commercial grain companies to Make Money Farming!

When it comes to cash marketing, farmers are a creature of habit: they sell a certain percent of crops during specific months and quarters, year in and year out. Grain companies have made money since 1818 by taking advantage of these tendencies.

- ✓ RISK MANAGEMENT
- ✓ TRANSPARENCY
- ✓ PRICE DISCOVERY
- ✓ LIQUIDITY
- ✓ SECURITY

Within the marketplace, only farmers and certain users dwell on flat price. All other market participants focus on futures spreads and basis, avoiding flat price speculation whenever possible. Trends in basis and futures spreads are more predictable than flat price.

Farmers are forced to think about flat price because it establishes the underlying price used to value farm labor and investment each crop year.

The best marketers think like the best grain companies. They focus on maximizing each year’s unique market opportunities with flat price, basis and spreads strategies. When farmers market this way, they have a competitive advantage over those in their area.

Over the next two modules and webinar, our hope is you will develop a better understanding of how to use the futures and options markets to maximize the unique marketing opportunities that develop each crop year. At a minimum, you will gain a better understanding of the value of all marketing alternatives available, and which ones work best for you.

Next Up – Module 2 December 6, “**The Role of Hedgers.**”



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Agribusiness Marketing Advisors Since 1988

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