

# Introduction

CIH was founded in 1999 to help agriculture producers, processors and end-users gain control over their commodity price risk.

Today CIH is a company of 70 professionals serving over 500 clients in the ag community. Known for their innovation, CIH is widely recognized as a leader in bringing together technology, consulting, and education to achieve better outcomes for their clients.

CIH's Grain Origination Service offers a unique combination of personalized consulting and highly specialized tools that enable originators to generate more revenue, originate more bushels, increase grower engagement, and offer a game plan in any market condition.

**Mike Shawver**, Vice President of Business Development has been with CIH for 12 years. Mike has been instrumental in developing products and services across a number of different areas including poultry, cattle, and dairy producers.

**Ryan Walsh**, Manager of Origination, has been with CIH for 2 years. As team leader of the Origination Team Ryan has been responsible for developing an integrated approach to supporting originators. Prior to joining CIH he originated grain for ten years in Illinois and Indiana.

# CIH's background

Developing risk management plans with farmers

Supporting procurement programs with integrators

Distilling market data into actionable information

Connecting the dots

# Engaging Farmers in the 21st Century

NGFA Country Elevator Conference



# Topics for today



Changing the discussion with growers from news and market direction to value at risk

Using objective metrics to identify marketing opportunities

Making the connection between market information and effective strategies

# Growers seem stuck

They have seen all time highs in farm income

They are using storage as a crutch to not make decisions

Market has shifted from demand driven to supply driven

They forward contract less grain despite yield increases

# How does our own bias affect the dialogue?

How do you talk about risk when you are bullish?

Do you omit structures because you are worried about wins or losses?

# Growers are inundated

Market gurus

Newsletters

Podcasts

Technical analysis

# An explosion of complex offerings

Pacer Plus  
Pacer Ultra  
Pro Pricing Program  
Equalizer  
Compass  
Foundation  
Price Builder Bonus  
Modified Capped Average  
Freedom Trader  
Freedom X-Tra  
Freedom Bin  
Freedom Max  
Freedom Tech

Velocity Pro  
Premium Plus  
Merchants Plus  
Digital Range Accrual  
Bonus Premium  
Min Max Plus  
Flex Floor Advantage  
PSS Either/Or  
PMin (Euro)  
PSS Ladder  
PSS KO  
Daily Price Plus  
Spring Price Plus



# What does the Grower really need?

More newsletters?

More exotic contracts with exotic names?

More quoting packages?

More technical analysis?

# They need a decision making process

They need to know how to apply all of these tools and data to their operation

They need to move away from market direction and towards

**Identifying opportunities**

**Understanding value at risk**

**Building a plan to capture revenue**

# An opportunity for elevators and originators

Established relationships and geographic foot print

Create more sticky growers

Get a larger forward book

Generate more revenue from your origination efforts

Keep value in your ag community

# Embrace a decision making process

What is the framework for guiding the discussion?

What basket of tools, data, ideas can you use to help farmers evaluate opportunities?

How do you connect the structure of the market to actions the farmer can take?

How do you overcome your own biases?

# Building a context for decisions

Are prices currently high or low?

Are margins high or low?

How did the market behave in the past?

Are we currently following that pattern?

How does the market structure affect contract selection?

# Build on an understanding of the contracting alternatives

Underlying every structured contract is a mix of options, futures, swaps, etc

Mostly boils down to the relative cheapness of options

Any decision making framework needs a process for understanding option pricing

# Last but not least, GROWER BIAS

What is the growers market bias?

Tolerance for risk?

The grower is naturally long, do they understand that?

Level of education on outcomes of contracting alternatives.

What contracts have they used in the past?

**Most important – What will they do?**

# An example framework





# Context starts with breakeven

## Summary ?

Average Sale Price	\$3.7300 /bu	\$447,600
Unsold Cash Price	\$3.7275 /bu	\$167,738
At Market Price	\$3.7293 /bu	\$615,338
Breakeven	\$3.9395 /bu	\$650,018
Margin	-\$0.2102 /bu	-\$34,680
Coverage		72.7%

What have they sold?

What is the value of grain in the bin?

How does their *net* price compare to breakeven?

Are they losing money?

## Coverage

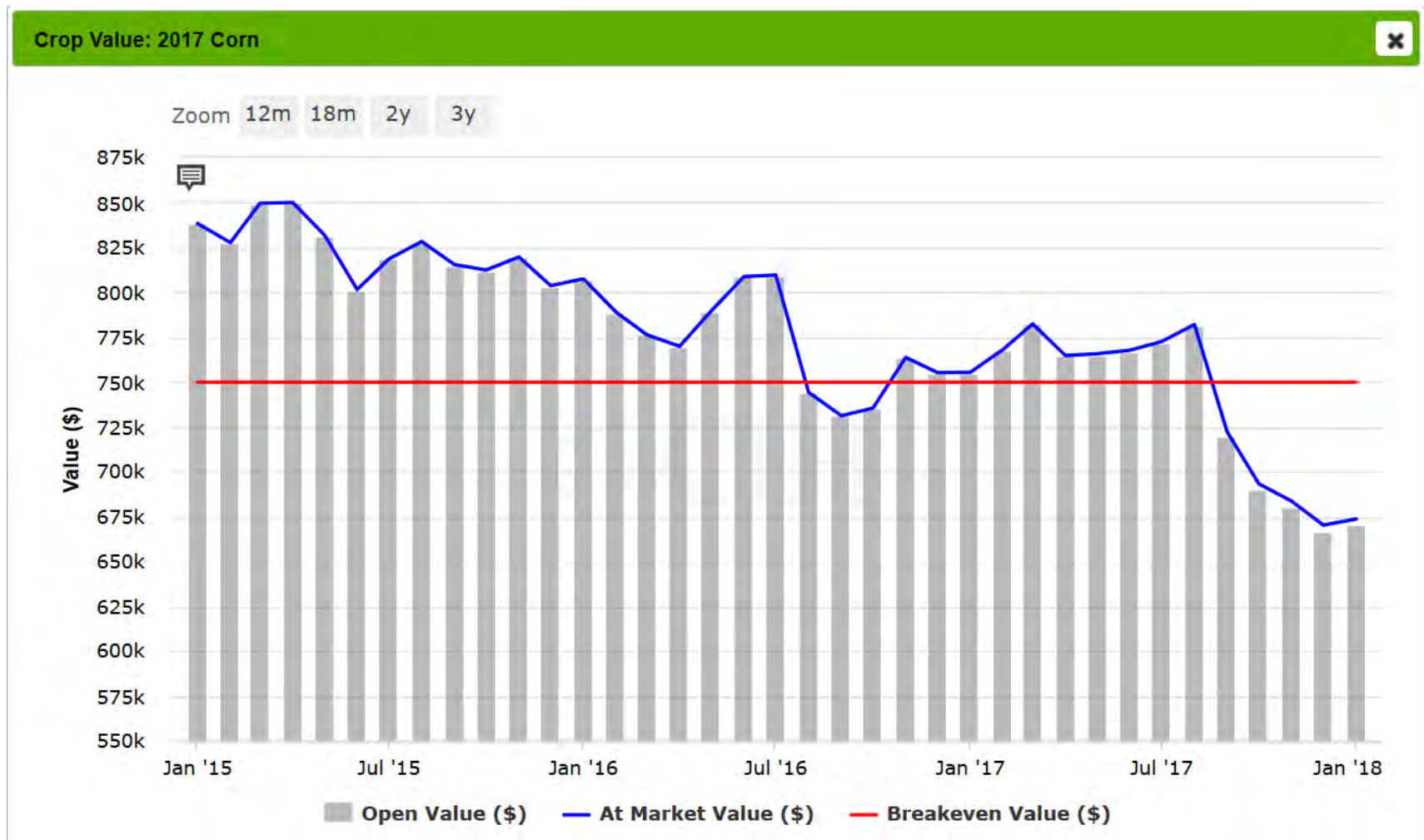
Potential	75.8%	125,000	\$3.7340	\$466,750
Sold	72.7%	120,000	\$3.7300	\$447,600
Unsold	27.3%	45,000	\$3.7275	\$167,738
Total	100.0%	165,000	\$3.7293	\$615,338

# Historical patterns help anticipate

10 year Tendency – 24 months out



# Compare today's opportunity to history



# Use breakevens and price together

Dec 17: \$3.425	2.662%	6.135%	4.596%
Percentile	1 Year	3 Year	5 Year
Dec 18: \$3.875	44.928%	49.576%	35.996%
Percentile	1 Year	3 Year	5 Year
Dec 19: \$4.070	68.817%	88.972%	67.041%
Percentile	1 Year	3 Year	5 Year
100	\$4.283	\$4.488	\$5.48
90	\$4.178	\$4.085	\$4.688
80	\$4.14	\$3.988	\$4.308
70	\$4.085	\$3.945	\$4.105
60	\$3.995	\$3.908	\$3.888
50	\$3.97	\$3.873	\$3.92
40	\$3.965	\$3.838	\$3.865
30	\$3.948	\$3.77	\$3.80
20	\$3.938	\$3.603	\$3.718
10	\$3.93	\$3.48	\$3.515
0	\$3.873	\$3.155	\$3.155

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(\$/bu)

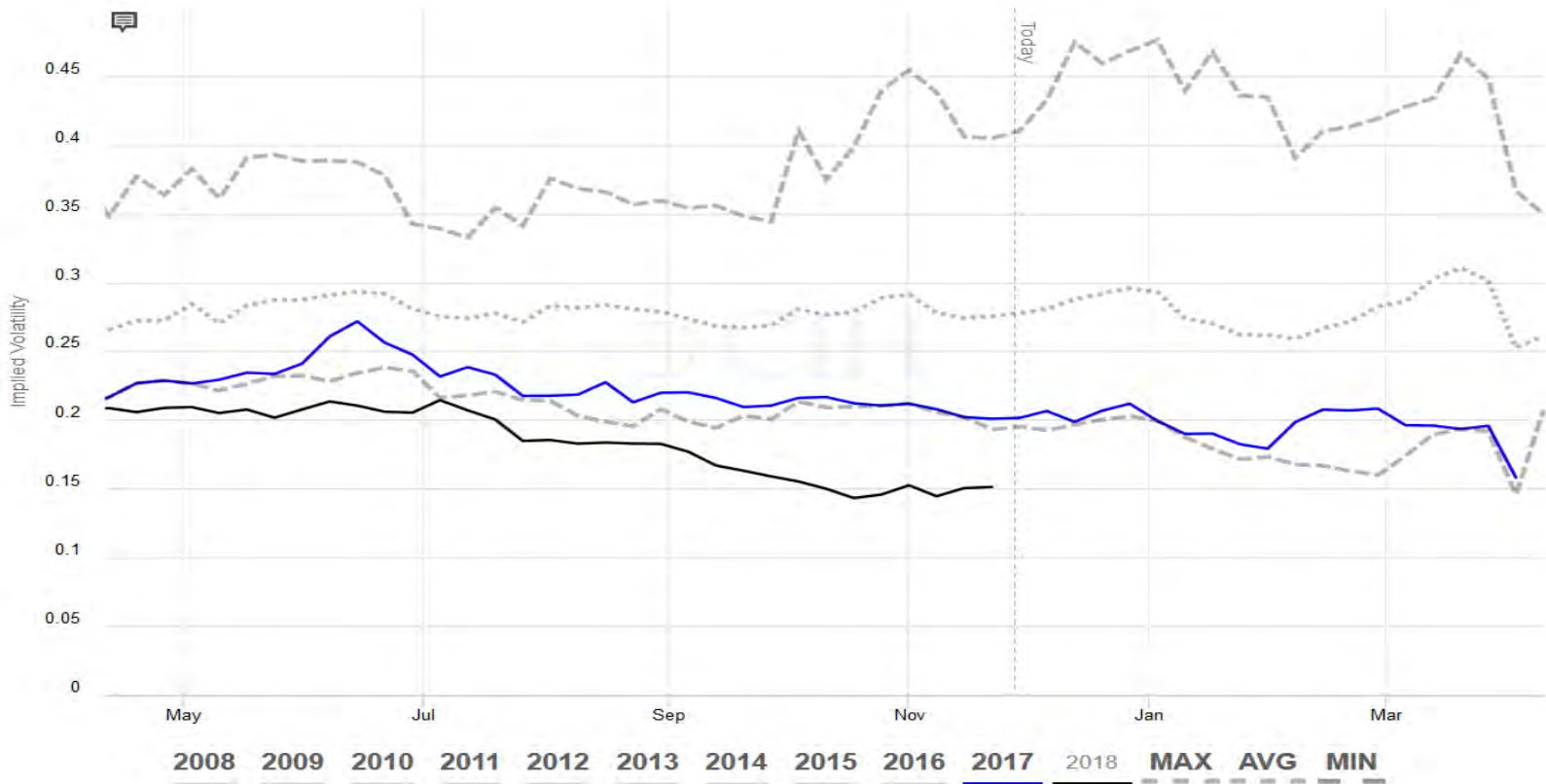
3.409

3.85

3.875

# What is volatility telling us?

As volatility increases, the cost of flexibility increases



# Connecting the dots...

When Grower Bias is...		
	Bearish	<b>Accumulator</b> Most firm Short Volatility
	Negative	<b>Cash Sale</b> Firm when basis is strong
	Neutral	<b>HTA</b> Firm when basis is weak
	Friendly	<b>Min - Max</b> Least expensive w/flexibility Neutral
		<b>Minimum Price</b> Most flexible Long Volatility
	Bullish	<b>Seasonal Pool</b> Unbiased

# What's the takeaway?



## There is a better approach....

Create a framework for making decisions

Use objective metrics to identify opportunities

Help growers develop a game plan for any marketing condition

Connect the dots with actionable information

Engage the farmer where they need the most help



Thank you







Contact us for a demo of our service.

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