Oakview Farms has come to you for marketing advice. Oakview Farms has 600 acres of corn, 600 acres of soybeans, and a 300 head cattle backgrounding yard. The farm owns 600 of the 1,200 acres it farms and cash rents the remaining 600 acres. The farm buys 300 head of 450 pound steer calves and raises them to 750 pounds. Oakview Farms has a moderate amount of debt and has been encouraged by its lender to use more price risk management. Although the farm both produces and feeds corn, the three different enterprises are treated as separate profit centers. Choose two of the three commodities to develop a marketing plan and present to Oakview Farms.

**Report:** Develop a marketing plan for two of the three commodities. You will market the current commodity and develop and implement a plan for the upcoming production of that commodity for Oakview Farms. Details for each commodity are attached. Develop a report (12-15 pages including attachments) for the enterprises you have selected with your recommendations and the expected results. *The reports should explain what you recommend, why you believe that is the best choice for Oakview Farms, and what the expected results will be.* More specifically, the report should do the following:

1) Sell the current commodities in the cash market and settle up the futures positions linked to the current commodities. You can pick the amount to sell and the day to sell. Use the Commodity Challenge site to make the sales and offset the futures positions. Report the time the selling decision was made and the reported prices from the Commodity Challenge site. Calculate storage costs from Nov. 1, 2010 and include the interest charge for the grain inventory (see line 39 of the spreadsheet at [http://www.extension.iastate.edu/agdm/crops/xls/a2-33.xls](http://www.extension.iastate.edu/agdm/crops/xls/a2-33.xls) for the formula for the interest charge).

   For each sale:
   1. Calculate and report the cash price, the basis, gross revenue from the cash sale, and net return (revenues less production costs).
   2. Calculate any futures or options gain or loss per bushel or cwt and in total.
   3. Calculate the net price and net return for the enterprise, combining the cash, futures, and storage amounts.

2) Develop and implement a marketing plan for the upcoming commodities. When buying or selling futures or options, use the Commodity Challenge site. We will post a basis on the class web page that can be used for forward contract sales. The forward contract price is the futures settlement price plus the posted basis. Therefore, you can only make forward contract sales after the market has closed and before it opens the next day.

   1. Estimate cost of production for the upcoming commodities. Use Iowa State University budgets, available through the class web page.
   2. You may use futures and/or options as traded through the Commodity Challenge, or forward contracts (based on the futures settlement prices and posted basis), to price the commodities that will be produced. You may choose to do nothing at this time.
   3. Explain your marketing recommendation.
Cattle enterprise:

Oakview Farms has 300 head of feeder steers in the feedlot that will be available for market during the second week of April with a marketing pay weight of 750 pounds. The projected variable cost on these cattle is $122.00 per cwt and the projected total cost is $124.00 per cwt. A hedge of two April feeder cattle futures contracts was sold (the date and price will be determined in class). Oakview Farms will buy 305 head of 450 pound steers calves in the third week of April to run on pasture during the summer. These feeder cattle will be priced at the average of the Oklahoma City 400-500 pound price for the second week of April. If Oakview Farms decides to finish the current group of cattle rather than selling them it has a standing agreement with the elevator under which corn for feed can be forward priced at $0.20 under the futures close. However, there is sufficient corn stored on the farm to feed the cattle if you choose to feed corn from the corn enterprise to the cattle. If you buy corn from the corn enterprise, you must document the purchase price and explain why you used the price that you did.

Corn enterprise:

Oakview Farms has 30,000 bushels of corn available for sale, half is stored at home and half stored at the coop. The storage cost on the corn at home is approximately $0.01/month plus interest at 7.5%. The coop storage is $0.03 per month plus interest. The farm valued the corn at $5.25/bu when it was placed in storage November 1. A hedge of three May corn contracts was sold (the date and price will be determined in class). Oakview Farms plans to sell at least $70,000 worth of corn by April 15 to cover a land debt payment and spring crop costs. The cattle enterprise can use corn from April to October. The corn enterprise is not required to sell corn to the cattle enterprise, but may be able to reach an acceptable agreement. If you sell corn to the cattle enterprise, you must document the sale price and explain why you used the price that you did.

The farmer plans to plant 600 acres of corn again this year. The expected yield is 180 bushels per acre on corn following soybeans. All 600 acres are corn following soybeans (300 on rented ground, 300 on owned ground). The 300 acres of the corn ground that is owned has a $135/acre cash cost for land debt and taxes. The rented ground has an average cash rent of $215 per acre. All other production costs match those reported in ISU Extension’s “Estimated Costs of Crop Production in Iowa -2011”, http://www.extension.iastate.edu/agdm/crops/pdf/a1-20.pdf.

Soybean enterprise:

The farmer has 10,000 bushels of soybeans in storage, half at home and half at the coop. The expected storage cost on the soybeans at home is approximately $0.01/month plus interest at 7.5%. The coop storage is $0.03 per month plus interest. The farmer valued the soybeans at $11.55/bu when they were placed in storage November 1. A hedge of one May Soybean futures contract was sold (the date and price will be determined in class). The farmer plans to sell at least $70,000 worth of soybeans by April 15 to cover a land debt payment and spring crop costs.

The farmer plans to plant 600 acres of soybeans again this year. The expected yield is 50 bushels per acre. All 600 acres of soybeans follow corn (300 on rented ground, 300 on owned ground). Owned land has a $135/acre cash cost for land debt and taxes. The rented ground has an average cash rent of $215 per acre. All other production costs match those reported in ISU Extension’s “Estimated Costs of Crop Production in Iowa -2011”, http://www.extension.iastate.edu/agdm/crops/pdf/a1-20.pdf.