# Make a plan when marketing this year's grain crop

COLUMBIA – "If you fail to plan, you are planning to fail." Crop farmers should take this adage to heart when marketing their grain, advises University of Missouri Extension agricultural economist Martyn Foreman.

"If you haven't already developed a post-harvest grain marketing plan, then now's the time," says Foreman. "By outlining a grain marketing plan, producers have a better chance to boost the returns they earn from the large investments they made in producing the crop."

When developing a plan, Foreman says to keep it simple. By writing a one- to two-page plan, farmers can refer to it as needed and have a marketing strategy that's simple to execute and specific to their operations.

To start planning, growers need these pieces of information:

- Expected production
- Cost of production
- On-farm storage capacity
- Pre-harvest sales
- Balance of production in storage left to sell
- Cash flow needs

With this information in hand, Foreman says, farmers can create a plan with four elements.

1. Split grain sales into increments.

For unpriced bushels you have in storage, divide those total bushels into increments. The size of the increments will depend on your cash flow and other financial needs.

Consider selling smaller increments more often rather than making two or three large incremental sales, Foreman says. The smaller increments will help you to spread your price risk over more bushels.

2. Establish price targets.

In most years, crop prices hit their lows at harvest and gradually increase through the late fall, winter and spring. Price gains from harvest lows to spring highs usually average 10% to 15%.

Knowing these seasonal price trends, you can set price targets for a significant portion of the grain in storage then sell when market prices reach your targets.

Price targets will depend on a crop's supply and demand. Based on current market conditions for corn and soybeans, you might take a more aggressive stance, Foreman says. For example, you might set targets that are 20% to 25% higher than harvest lows. In this case, you'd begin making incremental sales when prices are 10% higher than harvest lows and sell your last increment when prices are 25% higher than harvest lows.

3. Set sales deadlines.

Establishing a deadline to sell acts as a backup plan if price targets are not met. You can set sales deadlines to meet cash flow needs or align them with seasonal price tendencies so you may still capture seasonal price strength.

"If you establish sales deadlines in advance, then they help to dampen emotions associated with making marketing decisions," Foreman says. "This is often one of the most difficult aspects of grain marketing to overcome. Sales deadlines force discipline into the marketing plan."

4. Select marketing tools to use.

Outline how you plan to use basic cash contracts, including cash forward contracts, basis contracts, hedge-to-arrive contracts or other tools to capture marketing opportunities that may arise.

"If you choose to use futures, options or more complex contracts, then be sure you clearly understand the contract's terms and risks involved," Foreman says.

You can find MU Extension grain marketing resources at muext.us/GrainMarketingResources(opens in new window).

# Latest Update on Tax Legislation

By **Missouri Cattlemen's Assoc.**
Contributed

The House Ways and Means Committee recently considered revenue-raising legislation which would increase taxes to pay for the budget reconciliation bill. There were no changes made to stepped-up basis, Section 1031 like-kind exchanges or the federal estate tax rates in the House Ways & Means bill. The negotiations in Washington, D.C. remain ongoing. However, there is still a chance that harmful amendments could be added back into the bill via the House Rules Committee or during Senate consideration. This means more work is needed to fully protect cattle producers from massive tax hikes on an annual basis and at the time of generational transfer.

While the bill does attempt to eliminate estate tax valuation discounts and would expedite the sunset date on the Tax Cuts & Jobs Act's (TCJA) expanded estate tax exclusion limits, a provision to expand 2032A special use valuations was included to provide agricultural producers further relief from the death tax. This reduction allows decedents who own real property used in a farm or business to value a portion of their property at its actual or agricultural use rather than fair market value, or highest and best use when filing a federal estate tax return. This provision increases the allowable reduction from $750,000 to $11.7 million and is consistent with the Preserving Family Farms Act – a proposal for which Missouri Cattlemen's Association has long advocated.

The proposal changes the valuation rules to ignore discounts from partial ownership or lack of control of an asset in determining its value. This rule applies only to assets that are not used in a business, so these discounts are still permitted for family farms and businesses in the same way as current law. However, as written the "protections" intended for agriculture may not fully cover passive land holding agriculture entities.

The TCJA doubled the estate and gift tax exemption to $10 million per individual – or, indexed for inflation, a basic exclusion amount of $11.7 million per person. The provision is currently scheduled to expire on December 31, 2025. The current House proposal moves the expiration date up to December 31, 2021, meaning the estate tax exclusion limits would be $5 million per individual (indexed for inflation).

Won't 2032A protect producers from the decrease in exclusion limits? The short answer is – it could. If a section 2032A election is what works best for your operation, this proposal could be an important tool. However, there are several parameters around this specific provision that need to be taken into consideration when using it as a generational transfer planning tool. Industry organizations are supportive of 2032A modernization and the House proposal as an important first step in that regard, but absent full, permanent repeal, we still believe that current estate tax exclusion limits under the TCJA should be made permanent.

While the exclusion of stepped-up basis, Section 1031 like-kind exchanges and federal estate tax rates in a House bill brought relief, these provisions may still be in play should the Senate Finance Committee decide to consider their own revenue-raising bill under the budget resolution or move forward amending the House proposal. Additionally, while the House bill is a drastic improvement from some previously discussed proposals, there is still a chance that harmful amendments could be slipped back into the bill via Rules Committee consideration. More work is needed to fully protect cattle producers from massive tax hikes on an annual basis and at the time of generational transfer.

At this point, pressure is being put on members of the Senate to ensure the perseveration of long-standing tax provisions that support generational transfer. We are encouraging producers to contact their elected officials to educate them on how federal tax policy directly correlates to the next generation's ability to take over the operation. Producers are encouraged to send letters to their elected officials.