

PRESS RELEASE

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Columbia Grain International Discusses Commodity Crop Marketing in Volatile Times

Utilizing all of the tools in the marketing toolbox is a route to success during periods of uncertainty.

Portland, OR (AUGUST 2021) — Historic drought conditions have damaged and destroyed crops throughout the Northern United States, unstable commodity markets have been exacerbated by severe weather conditions elsewhere in the world, and supply chain disruption has played further havoc on producers' bottom lines. Unpredictable markets are a hallmark of the ag industry but an essential reminder that producers won't be able to put their marketing plan on auto pilot anytime soon. Columbia Grain International (CGI), a global leader in the origination, processing, logistics, and distribution of high-quality bulk grains, pulses, edible beans, oilseeds, and organics for the northern tier of the United States, has specialized in commodity crop marketing for over 40 years, weathering many challenging seasons and dispensing critical consultancy to producers about how to prepare in advance to market their crops for the best return.

"In the commodity world, great uncertainty leads to wild volatility. I cannot stress the importance of having a marketing plan in an unstable market," says President & CEO of Columbia Grain International, Jeff Van Pevnage. "Be diligent, be prepared, perhaps even a little aggressive. Know your crops well. It takes good marketing to get the most for your crops, and that's where we come in."

Developing a solid marketing strategy in advance of a potentially variable year can ensure the best returns on crops and marketing strategies, and often includes various contracts geared for the best outcomes.

CGI recommends the following contracts in this order:

1. **Minimum Price:** This type of contract can protect producers from price fluctuations during a volatile year because it guarantees the seller gets minimum price at delivery. It's ideal when the producer is short on storage, feels the price will advance, and it can be established at anytime. The producer has an unlimited upside potential as prices rise and no downside price risk. Furthermore, producers don't have to worry if they will have time to deliver the grain, if prices rise and they want to sell.
2. **Hedge To Arrive:** A hedge-to-arrive contract allows the producer to lock in a futures price with the elevator, leaving the basis to be set at a later time. The elevator will establish a hedge in futures on the producer's behalf in exchange for delivery of the cash commodity at a set time. This contract should be used in a volatile market when basis can widen without warning and the farmer wishes to sell at a specific price. It is crucial to establish an HTA contract for a delivery period in which the farmer can fulfill their obligation.



HTA contracts are an excellent means to contract wheat for harvest delivery, especially spring wheat. The basis on wheat usually narrows into harvest.

3. **Basis Fixed:** In this type of contract, the producer locks in a favorable basis with the elevator, leaving the futures price to be set later. Basis contracts are used successfully when the basis is at historically high levels and market conditions show room for improvement in futures prices. This contract allows producers to control part of their price risk coming into harvest and avoid dumping charges if the elevator is piling on the ground. It also safeguards against limiting upside price movement. If for some reason the grain can't be delivered, the risk is much lower than cash of an HTA contract.

4. **Min Max:** A Min-Max contract establishes a minimum price protecting the producer against lower prices, but permitting participation if the market rallies up to a predetermined maximum price using exchange traded options. Pros include limited upside potential if prices rise, no downside price risk, and producers don't have to worry if they will have time to deliver the grain if prices rise and they want to sell.

5. **Accumulator:** CGI will soon add this contract to its repertoire, which allows producers to price an equal quantity of commodity bushels weekly above the day's current futures market. Accumulator contracts can be a way to take advantage of profitable spikes in the markets. These types of contracts can be quite advantageous for producers. Brokers with a pulse on the daily market can advise accordingly for long-term success.

CGI Producer, Gordon Stoner of Stoner Farms in Outlook, Montana, has been a customer for over 20 years. He discusses the importance of working with a commodity broker in times of volatility.

"CGI can make markets, and when Mother Nature deals a difficult hand, CGI has the keen ability to find the ideal home for my product," says Stoner.

About Columbia Grain International

Since 1978, Columbia Grain International™ (CGI) has been *Cultivating Growth™* as a global leader in the origination, processing, logistics, and distribution of high-quality bulk grains, pulses, edible beans, oilseeds and organics for U.S. domestic and worldwide export markets. Headquartered in Portland, OR, CGI's reliable supply chain spans the western region of the US, ensuring abundant ingredients for all of its partners, thanks to their trusted relationships with their farmers throughout the fertile croplands of Washington, Idaho, Montana and North Dakota, well known for its high-quality wheat, feed grains, canola and pulses. CGI is an owner of Montana Specialty Mills, who operates an organic and non-GMO oilseed crushing facility in Great Falls, Montana, a mustard seed facility in Conrad, Montana, and most recently Montana Craft Malt — providing specialty malt barley from Montana farmers to the craft brewing world. Today, they are vertically integrated, operating assets including grain elevators, processing plants and agronomy centers to support their farmers, which stretch the northern tier of the United States. With multiple touchpoints across the food supply chain, CGI provides trusted solutions and cultivates high-quality ingredients from their local farmers for a farm to table philosophy that nourishes the world, safely. For media inquiries, contact Christina Madrid at Christie & Co, www.christieand.co, by phone (818) 621-1897 and/or email christina@christieand.co.

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