

## INTRODUCTION AND OUTLINE

### *Introductory Pricing/Marketing Workshop for Grains, On-Line*

#### Introduction

Michigan State University Extension (MSUE) and Michigan CORN is offering this on-line Introductory Pricing/Marketing Workshop for Grains, two nights a week for four weeks beginning the first week of February. You may attend this workshop at either several group meetings around the state, or at your home/work computer.

How the various pricing tools, such as cash sales, forward contracts, hedging, and options work, and when to use each will be covered.

The workshop will be taught by Jim Hilker, MSU Professor and Extension Marketing Economist who has been teaching this material to students and farmers for over 30 years. Hilker has written the Outlook Article in the Michigan Farm News for over 20 years, this workshop will help you better understand his and others pricing comments.

#### Setting

This workshop is designed to be an online course.

-It can be taken at a home computer through the internet or at several group meetings around the state where the site will have a group internet connection.

-Home computer and printer are highly recommended even for those going to group meetings for background readings, printing off worksheets, and receiving messages.

-The sessions will be taped and available for review, and/or for catching up on missed session on your home computer.

-The group meetings are to facilitate discussion, which is an important learning tool; worksheets may be provided at the group meetings.

-Worksheets will be used during the workshop to get some hands on learning.

-Questions can be typed in; the group meeting will have someone to do this. Hilker will answer them verbally, and at times may email out follow up answers. He will also take emailed questions anytime and respond by email.

-Will use practice worksheets, a bit like homework; example worksheets will be available as well.

## Workshop Goal

To be in a position to work with your grain merchandisers to use pricing tools, such as cash sales, forward contracts, hedging, options, minimum price contracts, and to understand and be able to recognize the correct market situation to use each pricing tool.

## Outline - Topics to Achieve Goal in an Introductory Manner

### Week One (February 3 and 5)

Introduction and Explanation of Goal  
Futures Markets  
Cash Markets  
Basis, the spread between Futures and Cash Markets  
The four possible market situations  
Brief introduction to the various pricing tools  
Pricing tool(s) are appropriate for each market situation  
How a hedge works, and how this understanding is **Essential**

### Week Two (February 17 and 19)

Review of hedging  
Understanding how to use the basis for pricing decisions  
Returns to storage  
Explanations of pricing tools, other than those that use options  
Worksheets to calculate the pricing tools and expected outcomes  
What situations to use each of the pricing tools gone through

### Week Three (February 24 and 26)

Review of pricing tools, and problems with each  
Explanation of the options market  
How the options markets can be used for pricing  
Pricing tools using options  
Worksheet to calculate option pricing tools and results  
Where option pricing tools fit in the four market situations

### Week Four (March 3 and 5)

Tying together first three weeks  
Worksheets to calculate all of the pricing tools for comparison  
Today's situation, pricing tools the market telling you to use  
How to work with your grain merchandiser to use pricing tools  
How to start thinking about a pricing plan