

## 20% RULE:

SPECULATE OR SELL

- **When possible, sell enough grain to cover 120% of production costs as soon as possible.**
- **Only engage in speculation if you're 80% confident that the market will increase by at least 10%, preferably 20%, between October 1 and June 1.**

1. Selling at 120% of the cost of production (COP) creates a built-in profit mechanism while minimizing downside risk. Over time, this approach promotes robust financial stability for the farm.
2. Take advantage of market volatility to secure above-average prices. Modern markets experience significant price swings, but the opportunity to lock in high prices is fleeting.
3. Speculation should cover the real cost of storage, with the market ideally rallying 10% from October 1 to June 1, and 5% from October 1 to January 1. For optimal results, gains should be double those of the S&P 500.
4. Design the plan every quarter and review & tweak it every two weeks.
5. Once the grain is stored, the farmer transitions into the role of a professional speculator.

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The 20% Rule serves as a goal to aim for, though achieving it may not always be possible every year. Its intent is to offer a **clear guideline** and a **consistent framework** which will **significantly improve results**. In certain years, a small or even negative return on investment might be the most realistic.

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## 20% RULE STEPS:

1. Current ROI. **Good or Bad?** Adjust target ROI to match price reality & realistic expectations.
2. Cash is King. **Payments Trump Speculation.** Funds are available to pay bills 30 days in advance.
3. Product Spoilage Risk. HIGH RISK = SELL NOW. NO QUESTIONS. Transfer the risk to someone else.
4. **OCT 1 Market Evaluation: 3 options**
  - Sell 100% of production. **OR** Sell to a comfortable risk level **OR** Speculate. **Reason WHY.**
5. **Only Speculate** when the confidence to achieve the price is greater than 80%. **Reason WHY.**
6. Choose a realistic Selling Price under current market conditions and farm objectives.

## Rule One:

THE TREND IS YOUR FRIEND

### Global Bull Market or Bear? Don't Fight The Market.

- Bear Market: Trend is Down, targets **BELOW** support/resistance lines
- Bull Market: Trend is UP, targets **ABOVE** support/resistance lines

### Is the Ag market stronger than the Global?

- Will the AG market act independently from global markets? **WHY?**

## Rule Two:

80% CONFIDENCE

- Speculate when 80% confident the market will rally within a given time frame.
- 80% Scale (trend: 25%, fundamentals: 20%, technicals: 25%, history: 10%. currency: 20%).
- **Trade like a PRO.** *Exit Strategy, Backup plan, PROFIT AND LOSS, Trailing stops, etc.*
- HOPEIUM is NOT a STRATEGY

## DISCIPLINE FOR SUCCESS

Stick to a predefined set of rules and strategies, regardless of emotional impulses or market conditions. It's one of the most important factors for long-term success in trading because it helps you maintain consistency, manage risk, and avoid making rash decisions during volatile market conditions.

## GENERAL SELLING RULES:

## BASIC SELLING RULES

## POWER OF WHY

Always ask "WHY" and "HOW" to make informed management decisions.

## NOV TO MARCH: BEFORE THE CROP IS GROWING

**Automatic Pricing:** ROI is Greater than 30%; Min 15% production.  $[(\text{cost per acre} * 1.3) / \text{Target Yield}]$

**Management Pricing:** Apply technical analysis to identify the market's upper range and set prices only when the ROI is greater than 10%. Time is on your side; no need to rush.

## GROWING SEASON: BEFORE THE CROP IS HARVESTED

**Automatic Pricing:** ROI is Greater than 20%; Min 10% production.  $[(\text{cost per acre} * 1.2) / \text{Target Yield}]$

**Management Pricing:** Use technical analysis to determine the market's upper range and set prices only when the ROI is greater than 10% or the long-term outlook shifts to neutral or bearish. Take into account factors such as cash flow and storage. Time is mostly on your side.

## 50% ROI: DO NOT THINK. SIMPLY SELL.

**Automatic Pricing:** ROI is Greater than 50%; Min 35% of production sold. Use futures and options or specialized contracts to manage risk. If available, price a portion of the following year's production.

## SUMMER LONG SHOT: TAKE ADVANTAGE OF SUMMER FEAR

Always Target between 50-75% ROI; min 50% est. Production: Take advantage of extreme volatility. Enter the target on June 1. Keep it active for the whole summer. Price next year's portion if available.

## RULE OF SPECULATION:

Only speculate with what you can afford to lose.

Always have a **PROFIT** strategy. Always have a **LOSS** strategy.

## THE MARKET DOES NOT CARE:

The market **DOES NOT CARE** about your farm or your profitability. *P.S. Neither does the elevator.*

## THE MARKET CAN REMAIN IRRATIONAL LONGER THAN YOU CAN STAY LIQUID:

The market can defy all logic and act in a way that makes no sense for longer than thought. You may be right, but the market is more powerful; it can wipe you out before you are proven right.

## FUNDAMENTAL &amp; TECHNICAL:

Fundamentals will dictate the direction. Technical dictates the depth and speed. Success depends on understanding both. Artificial Intelligence magnifies everything.

**PRO TIP:** Always Set Targets slightly below the resistance line or slightly above the support line.

## MARKET VOLATILITY:

A farmer's best friend. Modern market volatility can mean the difference between a negative ROI and an extremely profitable ROI. Use targets to capture extreme market swings.

## THE MARKET NEVER SLEEPS:

Marketing is a full-time job. The market will change in an instant without warning. Market evaluations need to be done regularly. Important to stay connected with Insight Ag Marketing.