



October 13, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Soybeans: 2005 Post-Harvest Marketing Plan

by Ed Usset

2005 production: 23,000 bushels (530 acres @ 43 bushels per)

Objective: Seek strategies that offer a price higher than the loan rate. Hold no unpriced beans beyond July 1, 2006.

17,500 bushels priced @ \$6.10 (average of 7 pre-harvest sales) with hedge-to-arrive contracts in the November contract (October 13 close @ 5.88¼): Place in storage and sell the carry by rolling the November hedges forward to the July contract (closed at \$6.15½ on October 13). The harvest basis is 72 under the November and \$1.00 under the July (\$5.16 cash - \$6.16 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 38 under July futures, or by the first week of June. If I reach 38 under the July on these bushels, I will end up with a cash price of \$6.00 per bushel. That's \$5.78 for the soybeans (\$6.16 July futures - \$0.38 basis), plus a 22 cent profit on the November contract (sold @ \$6.10 average, rolled forward at \$5.88). I even have a chance to add an LDP, should the market trend lower in the months ahead.

5,500 bushels remaining: Place in storage and use a hedge-to-arrive contract to sell the carry using the July contract. The harvest basis is 72 under the November and \$1.00 under the July (\$5.16 cash - \$6.16 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 38 under July futures, or by the first week of June. If I reach 38 under the July on these bushels, I will end up with a cash price of \$5.78 per bushel (\$6.16 July futures - \$0.38 basis) and I may even add an LDP, should the market trend lower in the months ahead.



June 2, 2006

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Soybeans: Execution of the 2005 Post-Harvest Marketing Plan

by Ed Usset

June 2, 2006: I've been waiting since harvest for the soybean basis to narrow to a respectable number. At harvest I had a wild hope of a basis close to or exceeding 40 cents under the July. Today I will set the basis on all my HTA contracts at 64 cents under the July contract (today's market: Jul'06 trading at \$6.09, local cash price at \$5.45).

Final price on 17,500 bushels pre-harvest priced: \$6.16 July futures less \$0.64 basis plus \$0.22 gain from pre-harvest marketing = \$5.74.

Final price on remaining 5,500 bushels: \$6.16 July futures less \$0.64 basis = \$5.52.

Summary of the 2005 Soybean Crop, thru June 2, 2006:

17,500 bushels sold for....	\$5.74
5,500 bushels sold for....	<u>\$5.52</u>
Final average price for 2005 soybeans	\$5.69