



April 14, 2005

Grain Marketing

Center for Farm Financial Management

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Soybeans: 2006 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2006 production: 23,000 bushels (530 acres @ 43 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated soybean crop priced by early June.

- Price 2,500 bushels at \$5.15 cash price (\$5.65 Nov futures) using some form of fixed-price contract: forward contract, HTA, sell futures.
- Price 2,500 bushels at \$5.35c/\$5.85f, or by Jan 29, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at \$5.55c/\$6.05f, or by Feb 28, pricing tool tbd.
- Price 2,500 bushels at \$5.75c/\$6.25f, or by Mar 29, pricing tool tbd.
- Price 2,500 bushels at \$5.95c/\$6.45f, or by April 7, pricing tool tbd.
- Price 2,500 bushels at \$6.15c/\$6.65f, or by April 27, pricing tool tbd.
- Price my last 2,500 bushels at \$6.35c/\$6.85f, or by May 27, pricing tool tbd.

Plan starts on October 1, 2005. Earlier sales will be made at a 25 cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$5.15 local cash price/\$5.65 November futures.

Exit all options positions by mid-September.



May 1, 2006

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Soybeans: Execution of the 2006 Pre-Harvest Marketing Plan

by Ed Usset

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated soybean crop priced by early June.

- Price 2,500 bushels at \$5.15 cash price (\$5.65 Nov futures) using some form of fixed-price contract.
Futures fixed on Apr 15 @ \$5.92½ Nov'06 futures
- Price 2,500 bushels at \$5.35c/\$5.85f, or by March 15, pricing tool tbd.
Futures fixed on June 21 @ \$6.45 Nov'06 futures
- Price 2,500 bushels at \$5.55c/\$6.05f, or by March 29, pricing tool tbd.
Futures fixed on June 21 @ \$6.45 Nov'06 futures
- Price 2,500 bushels at \$5.75c/\$6.25f, or by April 7, pricing tool tbd.
Futures fixed on Dec 19 @ \$6.38¼ Nov'06 futures
- Price 2,500 bushels at \$5.95c/\$6.45f, or by April 27, pricing tool tbd.
Futures fixed on January 3 @ \$6.45¼ Nov'06 futures
- Price 2,500 bushels at \$6.15c/\$6.65f, or by May 13, pricing tool tbd.
Futures fixed on May 12 @ \$6.32 Nov'06 futures
- Price my last 2,500 bushels at \$6.35c/\$6.85f, or by May 27, pricing tool tbd.
Futures fixed on May 26 @ \$6.08 Nov'06 futures



May 30, 2006

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Soybeans: Execution of the 2006 Pre-Harvest Marketing Plan

by Ed Usset

April 15, 2005: It's early to be thinking about 2006, but November 2006 at \$5.92½ futures are trading 25 cents over my minimum pricing objective. I had a similar chance last year but, much to my regret, I never got around to getting my plan published and taking early action (and I vowed that wouldn't happen again). A sale of Nov'06 at \$5.92½ roughly translates to \$5.50 per bushel at the farm. I should be so lucky as to have this early and small (~10% of my crop) sale be my worst.

June 21, 2005: I'm using discretion on these early sales. Based on price alone, I could have made these sales earlier, but the price trend continues to move higher. I will make two sales for the '06 crop year, with HTA sales of Nov'06 at \$6.45 per bushel. I am now 30% sold on the '06 soybean crop, and I doubt that I will be willing to make any further sales until early next year.

December 19, 2005: Since reaching a high of \$6.51 in June, the November contract has traded as low as \$5.83. I made a commitment last summer to hold off on any more '06 sales until the harvest of 2005 was completed. December 19 was the first day since harvest that the November contract traded back up above my fourth price objective of \$6.25. I used an HTA with the Nov contract at \$6.3825.

January 3, 2006: My 5th price objective has been met and I used an HTA with the Nov contract at \$6.45¼.

May 12, 2006: A decision date is reached. I will price 2,500 bushels with an HTA with the Nov contract at \$6.32.

May 26, 2006: My final decision date is reached and I will price 2,500 bushels with an HTA with the Nov contract at \$6.08.

I am about 75% sold on my 2006 crop at an average November futures price of \$6.29, or a cash price of \$5.75-5.85 per bushel.