



March, 2006

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/publications/grain.aspx

Soybeans: 2007 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2007 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 \$5.25 cash price (\$5.75 Nov futures) using some form of fixed-price contract: forward contract, HTA, sell futures.
- Price 2,500 bushels at \$5.50c/\$6.00f, or by March 15, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at \$5.75c/\$6.25f, or by April 2, pricing tool tbd.
- Price 2,500 bushels at \$6.00c/\$6.50f, or by April 17, pricing tool tbd.
- Price 2,500 bushels at \$6.25c/\$6.75f, or by May 2, pricing tool tbd.
- Price 2,500 bushels at \$6.50c/\$7.00f, or by May 16, pricing tool tbd.
- Price my last 2,500 bushels at \$6.75c/\$7.25f, or by June 1, pricing tool tbd.

Plan starts on **January 1, 2007**. Earlier sales will be made at a 30 cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$5.25 local cash price/\$5.75 November futures.

Exit all options positions by mid-September.



June 13, 2007

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/publications/grain.aspx

Soybeans: Execution of the 2007 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 \$5.25 cash price (\$5.75 Nov futures) using some form of fixed-price contract.
HTA on March 24, 2006 @ \$6.24 Nov'07 futures
- Price 2,500 bushels at \$5.50c/\$6.00f, or by March 15, pricing tool tbd.
HTA on May 17, 2006 @ \$6.50½ Nov'07 futures
- Price 2,500 bushels at \$5.75c/\$6.25f, or by April 2, pricing tool tbd.
HTA on June 2, 2006 @ \$6.57 Nov'07 futures
- Price 2,500 bushels at \$6.00c/\$6.50f, or by April 17, pricing tool tbd.
Sale deferred early Jan/HTA on Feb 16, 2007 @ \$8.16½ Nov'07 futures
- Price 2,500 bushels at \$6.25c/\$6.75f, or by May 2, pricing tool tbd.
Sale deferred in early Jan/HTA on May 2, 2007 @ \$7.77 Nov'07 futures
- Price 2,500 bushels at \$6.50c/\$7.00f, or by May 16, pricing tool tbd.
Sale deferred early Jan/HTA on Feb 16, 2007 @ \$8.16½ Nov'07 futures
- Price my last 2,500 bushels at \$6.75c/\$7.25f, or by June 1, pricing tool tbd.
Sale deferred in early Jan/HTA on June 1, 2007 @ \$8.47¼ Nov'07 futures



June 13, 2007

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/publications/grain.aspx

Soybeans: Execution of the 2007 Pre-Harvest Marketing Plan

by Ed Usset

March, 2006: My pre-harvest marketing plan for 2007 is posted, more than 18 months prior to harvest.

March 24 – June 2, 2006: I make my first three sales based on prices well above my price objectives and an early sale premium. I am now 30% sold for the 2007 crop, at an average price of \$6.44 Nov'07 futures. I will not make any more 2007 sales for at least another 6 months. As always, I am reluctant to get more than 1/3 sold on any crop more than one year in advance of harvest.

August 31, 2006: I pushed back my start date from November 1 to January 1, 2007. I see no reason to be an aggressive seller of 2007 new crop during the harvest of 2006, should prices rise in the months ahead.

January 19, 2007: Like everyone else in this market, I have watched in awe as corn futures have rallied higher over the past four months, dragging soybean prices higher. I reached my last four pricing objectives but I am reluctant to sell into a market with such strong momentum. I have decided to defer sales to my decision dates (April 17, May 2, May 16, and June 1). This move is not without precedent: I used the same ploy in pre-harvest sales of soybeans in the first half of 2004. Clearly I am taking a risk and hoping for even higher prices in the spring.

February 16, 2007: The opportunity to sell \$8 new crop November soybeans is too good to resist. I choose to price 5,000 of my remaining 10,000 bushels now, while leaving the last two sales to decision dates of May 2 and June 1.

May 2, 2007: In January I deferred 2,500 bushels of sales to the May 2 decision date. The decision date is here and I will price 2,500 bushels at \$7.77 Nov'07 futures.

June 1, 2007: In January I deferred 2,500 bushels of sales to the June 1 decision date. The decision date is here and I will price my remaining 2,500 bushels at \$8.47¼ Nov'07 futures.

I am 75% sold on my 2007 crop at an average November futures price of \$7.41, or a cash price of about \$6.60 per bushel (yes, the new crop basis is looking that wide!).