



March 21, 2007

# Grain Marketing

Center for Farm Financial Management

University of Minnesota

[www.cffm.umn.edu/publications/grain.aspx](http://www.cffm.umn.edu/publications/grain.aspx)

## Soybeans: 2008 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2008 production: 24,000 bushels (530 acres @ 45 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 **\$6.00** cash price (**\$6.75** Nov futures) using some form of fixed-price contract: forward contract, HTA, sell futures.
- Price 2,500 bushels at \$6.50c/\$7.25f, or by March 7, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at \$7.00c/\$7.75f, or by April 4, pricing tool tbd.
- Price 2,500 bushels at \$7.50c/\$8.25f, or by April 18, pricing tool tbd.
- Price 2,500 bushels at \$8.00c/\$8.75f, or by May 5, pricing tool tbd.
- Price 2,500 bushels at \$8.50c/\$9.25f, or by May 19, pricing tool tbd.
- Price my last 2,500 bushels at \$9.00c/\$9.75f, or by June 3, pricing tool tbd.

Plan starts on January 1, 2008. Earlier sales will be made at a 40 cent premium to price targets noted above and will be limited to 10,000 bushels.

Ignore decision dates and make no sale if prices are lower than **\$6.00** local cash price/**\$6.75** November futures.

Exit all options positions by mid-September, 2008.



June 6, 2008

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## Soybeans: Execution of the 2008 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 \$6.00 cash price (\$6.75 Nov futures) using some form of fixed-price contract.  
Futures sale on March 21, 2007 @ \$8.26¼ Nov'08 futures
- Price 2,500 bushels at \$6.50c/\$7.25f, or by March 15, pricing tool tbd.  
Futures sale on March 21 @ \$8.26¼ Nov'08 futures
- Price 2,500 bushels at \$7.00c/\$7.75f, or by April 2, pricing tool tbd.  
Futures sale on March 21 @ \$8.26¼ Nov'08 futures
- Price 2,500 bushels at \$7.50c/\$8.25f, or by April 17, pricing tool tbd.  
Futures sale on March 21 @ \$8.26¼ Nov'08 futures
- Price 2,500 bushels at \$8.00c/\$8.75f, or by May 2, pricing tool tbd.  
Futures sale on January 2, 2008 @ \$11.48 Nov'08 futures
- Price 2,500 bushels at \$8.50c/\$9.25f, or by May 16, pricing tool tbd.  
Futures sale on January 2 @ \$11.48 Nov'08 futures
- Price my last 2,500 bushels at \$9.00c/\$9.75f, or by June 3, pricing tool tbd.  
HTA sale on June 3, 2008 @ \$13.53¾ Nov'08 futures



June, 2008

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## Soybeans: **Execution** of the 2008 Pre-Harvest Marketing Plan by Ed Usset

March 21, 2007: Outstanding pricing opportunities are present in all grain markets. I'm going to call my broker and sell 2 contracts of Nov'08 soybean futures (10,000 bushels), representing ~40% of my expected 2008 production. This will establish a new crop 2008 cash soybean price of about \$7.50 per bushel, assuming a harvest basis of 75 cents under November futures (ouch!). I am reluctant to price any more soybeans more than 9 months prior to harvest, so don't expect any more actions until January 1, 2008.

October 8, 2007: I raised my minimum price objective (and all other price objectives), and widened the basis to reflect 75 under.

January 2, 2008: I sold another contract of Nov'08 soybean futures (5,000 bushels) at \$11.48. I choose to defer my last sale until I reach the decision date later in the spring.

June 3, 2008: I used an HTA contract to pre-harvest price my last 2,500 bushels, locking in the November contract at 13.5375 per bushel.

**I am about 70% sold on my 2008 crop at an average Nov'08 futures price of \$9.94, or a cash price of about \$9.00 per bushel.**