



August 31, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2005 Post-Harvest Marketing Plan

by Ed Usset

2005 production: 25,000 bushels, harvest in August, loan rate @ \$2.85.

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

- 12,500 bushels priced @ ~\$3.79 (average of 5 pre-harvest sales) with futures fixed in the September contract (The local spot bid was \$3.31 and the September contract closed at \$3.51½ on August 31): deliver bushels to the elevator, locking the spot basis at 20 cents under the September contract and take a 1 cent LDP. My final price will be \$3.60 on these bushels, based on \$3.79 futures price, \$0.20 under basis and \$0.01 LDP.
- 5,000 bushels priced @ \$3.73¼ with futures fixed in the December contract (December contract closed at \$3.34 on August 31): place in storage and maintain the hedge. Exit plan: I have time to consider alternatives. If carry remains large, I may roll the hedge forward before December. If basis gets to 30 over the December in the next few months, I will price and deliver.
- 7,500 bushels remaining: place in storage for later sale. Exit plan: Sell 2,500 bushels @ \$3.75, 2,500 @ \$4.00, and the last 2,500 @ \$4.25 (cash prices). Bushels unsold at the end of April will be sold in equal increments in May and June. Risk no more than 15 cents under the harvest price - sell if the cash price falls below \$3.15.



May 12, 2006

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Spring Wheat: Execution of the 2005 Post-Harvest Marketing Plan

by Ed Usset

August 31, 2005: In early August I had my eyes on “selling the carry” (see last years plan) with all of my spring wheat bushels, but in the last two weeks the carrying charges in the spring wheat futures market have changed dramatically. The Sep/Mar spread traded close to 20 cents for months, but narrowed to a 10 cent inverse by the end of August. For bushels that I priced before harvest with HTA’s using the September contract, I will set the basis and deliver. For bushels priced using the December contract, I have more time to consider my alternatives. I’m also willing to take a flat price risk with about 30% of my grain held in storage.

October 7, 2005: The spot price of spring wheat reached \$3.75 per bushel, meeting my first flat price objective. I priced and delivered 2,500 bushels at \$3.75. I still have another 5,000 bushel left to sell at \$4.00 and \$4.25 per bushel.

November 25, 2005: It is time to make a decision on grain priced months ago at \$3.7325 with an HTA in the December contract. I will set the basis at 5 cents over the December (\$3.69 cash, \$3.64 Dec futures) and deliver. My final price will be \$3.78¼ on these bushels, based on \$3.73¼ futures price and \$0.05 over basis.

February 24, 2006: The spot price of spring wheat reached \$4.03 per bushel, meeting my second flat price objective. I priced and delivered 2,500 bushels at \$4.03. I have 2,500 bushel left to sell at \$4.25 per bushel.

May 12, 2006: The spot price of spring wheat reached \$4.27 per bushel, meeting my last flat price objective. I priced and delivered the last of my 2005 crop \$4.27.

Summary of the 2005 Wheat Crop:

12,500 bushels sold for....	\$3.60
2,500 bushels sold for....	\$3.75
5,000 bushels sold for....	\$3.78¼
2,500 bushels sold for....	\$4.03
2,500 bushels sold for....	<u>\$4.27</u>
Final average price for 2005 wheat	\$3.76