



September 1, 2004

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Spring Wheat: 2005 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2005 production: 25,000 bushels (640 acres @ 38 bushels per)

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

- Price 2,500 bushels at \$3.25 cash price/\$3.60 Sep wheat futures using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at \$3.40c/\$3.75f, or by March 25, using some form of forward contract.
- Price 2,500 bushels at \$3.55c/\$3.90f, or by April 6, using some form of forward contract.
- Price 2,500 bushels at \$3.70c/\$4.05f, or by April 22, consider options or a trend system.
- Price 2,500 bushels at \$3.85c/\$4.10f, or by May 12, consider options or a trend system.
- Price 2,500 bushels at \$4.00c/\$4.35f, or by May 23, consider options or a trend system.
- Price my last 2,500 at \$4.15c/\$4.50f, or by June 1, consider options or a trend system.

Plan starts on September 1, 2004.

I will consider the December futures contract for new crop sales at a 10 cent premium to September. Ignore decision dates and make no sale if prices are lower than \$3.25 local cash price/\$3.60 September futures.



June 18, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Spring Wheat: **Execution** of the 2005 Pre-Harvest Marketing Plan

by Ed Usset

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

- Price 2,500 bushels at \$3.25 cash price/\$3.60 Sep wheat futures using forward contract/futures hedge/futures fixed contract. **Futures fixed on 9-1-04 @ \$3.90½ Sep futures**
- Price 2,500 bushels at \$3.40c/\$3.75f, or by March 25, using some form of forward contract. **Futures fixed on September 1, 2004 @ \$3.90½**
- Price 2,500 bushels at \$3.55c/\$3.90f, or by April 6, using some form of forward contract. **Futures fixed on September 1, 2004 @ \$3.90½**
- Price 2,500 bushels at \$3.70c/\$4.05f, or by April 22, consider options or a trend system. **Futures fixed on June 20, 2005 @ \$3.61½ Sep futures**
- Price 2,500 bushels at \$3.85c/\$4.10f, or by May 12, consider options or a trend system. **Futures fixed on June 20, 2005 @ \$3.61½ Sep futures**
- Price 2,500 bushels at \$4.00c/\$4.35f, or by May 23, consider options or a trend system. **Futures fixed on July 18, 2005 @ \$3.73¼ Dec futures**
- Price my last 2,500 at \$4.15c/\$4.50f, or by June 1, consider options or a trend system. **Futures fixed on July 18, 2005 @ \$3.73¼ Dec futures**



July 18, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Spring Wheat: **Execution** of the 2005 Pre-Harvest Marketing Plan

by Ed Usset

September 1, 2004: My marketing plan is written for the 2005 wheat crop. September 2005 spring wheat futures close at \$3.90½. I will use hedge-to-arrive contracts to price 7,500 bushels, representing 30% of my expected 2005 production and completing the first three steps in my plan. Using futures fixed contracts will keep my delivery options open in the harvest of 2005. This will establish a new crop 2005 cash wheat price of about \$3.55, assuming a harvest basis of 35 under September futures.

June 20, 2005: An early summer rally pushes prices back over my minimum pricing objective of \$3.60 per bushel. I will use hedge-to-arrive contracts to price 5,000 bushels (steps 4 & 5 of my pre-harvest plan) at \$3.61½, representing an additional 20% of my expected 2005 production.

July 18, 2005: The uptrend was broken in late June when the market dropped sharply. It also dropped below my minimum pricing objectives. With tonight's close back above my \$3.60 minimum, I choose to price my remaining bushels. I like the 11½ cent carry to the December contract so I will price these bushels using HTA contracts at \$3.73¼ per bushel in the December contract.

As of mid-July, I have completed my 2005 pre-harvest marketing of spring wheat with an average September futures price of \$3.74, or a cash price of \$3.35-3.40 per bushel.