



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)

## Spring Wheat: 2008 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2008 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 **\$3.90** cash price/**\$4.30** Sep wheat futures using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at \$4.10c/\$4.50f, or by March 7, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at \$4.30c/\$4.70f, or by April 4, pricing tool tbd.
- Price 2,500 bushels at \$4.50c/\$4.90f, or by April 18, pricing tool tbd.
- Price 2,500 bushels at \$4.70c/\$5.10f, or by May 5, pricing tool tbd.
- Price 2,500 bushels at \$4.90c/\$5.30f, or by May 19, pricing tool tbd.
- Price my last 2,500 at \$5.10c/\$5.50f, or by June 3, pricing tool tbd.

Plan starts on November 1, 2007. Earlier sales will be made at a 35 cent premium to price targets noted above and will be limited to 10,000 bushels.

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 **\$3.90** local cash price/**\$4.30** September futures.



November 1, 2007

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## Spring Wheat: **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 spring wheat crop priced by early June.

- Price 2,500 bushels at \$3.90 cash price/\$4.30 Sep wheat futures using forward contract/futures hedge/futures fixed contract. **Futures sale on March 21, 2007 @ \$5.09 Sep'08 contract**
- Price 2,500 bushels at \$4.10c/\$4.50f, or by March 7, pricing tool to be determined ("tbd").  
**Futures sale on March 21, 2007 @ \$5.09 Sep'08 contract**
- Price 2,500 bushels at \$4.30c/\$4.70f, or by April 4, pricing tool tbd.  
**Futures sale on March 21, 2007 @ \$5.09 Sep'08 contract**
- Price 2,500 bushels at \$4.50c/\$4.90f, or by April 18, pricing tool tbd.  
**Futures sale on March 21, 2007 @ \$5.09 Sep'08 contract**
- Price 2,500 bushels at \$4.70c/\$5.10f, or by May 5, pricing tool tbd.  
**Futures sale on November 1, 2007 @ \$6.89 Sep'08 contract**
- Price 2,500 bushels at \$4.90c/\$5.30f, or by May 19, pricing tool tbd.  
**Futures sale on November 1, 2007 @ \$6.89 Sep'08 contract**
- Price my last 2,500 at \$5.10c/\$5.50f, or by June 3, pricing tool tbd.  
**HTA on November 1, 2007 @ \$6.89 Sep'08 contract**



November 1, 2007

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## Spring Wheat: **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 Sep'08 wheat futures (10,000 bushels), representing ~40% of my expected 2008 production. This will establish a new crop 2008 cash wheat price of about \$4.80 per bushel, assuming a harvest basis of 30 under September futures. I am reluctant to price any more wheat more than 10 months prior to harvest, so don't expect any more actions until November 1, 2007.

October 8, 2007: I raised my minimum price objective (and all other price objectives) and widened the basis to 40 under.

November 1, 2007: I sold another 7,500 bushels of spring wheat, locking in a futures price of \$6.89 per bushel.

**I am 75% priced on my 2008 pre-harvest marketing of spring wheat with an average September futures price of \$5.86, or a cash price of \$5.50 per bushel.**