



October, 2004

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Soybeans: 2005 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2005 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 \$5.15 cash price (\$5.65 Nov futures) using some form of fixed-price contract: forward contract, HTA, sell futures.
- Price 2,500 bushels at \$5.35c/\$5.85f, or by Jan 25, using some form of fixed-price contract.
- Price 2,500 bushels at \$5.55c/\$6.05f, or by Feb 24, consider options or a trend system.
- Price 2,500 bushels at \$5.75c/\$6.25f, or by Mar 25, consider options or a trend system.
- Price 2,500 bushels at \$5.95c/\$6.45f, or by April 7, consider options or a trend system.
- Price 2,500 bushels at \$6.15c/\$6.65f, or by April 22, consider options or a trend system.
- Price my last 2,500 bushels at \$6.35c/\$6.85f, or by May 23, consider options or a trend system.

Plan starts on October 1, 2004. Earlier sales will be made at a 15 cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$5.15 local cash price/\$5.65 November futures.

Exit all options positions by mid-September.



May 24, 2005

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Soybeans: 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 soybean crop priced by early June.

- Price 2,500 bushels at \$5.15 cash price (\$5.65 Nov futures) using some form of fixed-price contract.
Futures fixed on Nov 15 @ \$5.68 Nov futures
- Price 2,500 bushels at \$5.35c/\$5.85f, or by Jan 25, using some form of fixed-price contract.
Futures fixed on Nov 17 @ \$5.85¼ Nov futures
- Price 2,500 bushels at \$5.55c/\$6.05f, or by Feb 24, consider options or a trend system.
Futures fixed on Feb 24 @ \$5.81½ Nov futures
- Price 2,500 bushels at \$5.75c/\$6.25f, or by Mar 25, consider options or a trend system.
Futures fixed on March 11 @ \$6.34½ Nov futures
- Price 2,500 bushels at \$5.95c/\$6.45f, or by April 7, consider options or a trend system.
Futures fixed on April 7 @ \$6.13¼ Nov futures
- Price 2,500 bushels at \$6.15c/\$6.65f, or by April 22, consider options or a trend system.
Futures fixed on April 22 @ \$6.28 Nov futures
- Price my last 2,500 bushels at \$6.35c/\$6.85f, or by May 23, consider options or a trend system.
Futures fixed on May 23 @ \$6.38 Nov futures



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November 15, 2004: Priced 2,500 bushels of next years' crop with an HTA contract at \$5.68 in the Nov'05 contract. This represents the first step in my 2005 pre-harvest marketing plan, and about 10% of my expected 2005 production.

November 17, 2004: Priced another 2,500 bushels at \$5.85¼ with an HTA contract in the Nov'05 contract.

February 24, 2005: My price target of \$6.05 in November futures has not been met, but the decision date has arrived. I priced another 2,500 bushels at \$5.81½ with an HTA contract in the Nov'05 contract.

March 11, 2005: The market was very strong today and closed at \$6.34½, well above my next price target of \$6.25 in November futures. I priced another 2,500 bushels at \$6.34½ with an HTA contract in the Nov'05 contract.

April 7, 2005: My price target of \$6.45 in November futures has not been met, but the decision date has arrived. I priced another 2,500 bushels at \$6.13¼ with an HTA contract in the Nov'05 contract.

April 22, 2005: Another decision date has arrived. I priced another 2,500 bushels at \$6.28 with an HTA contract in the Nov'05 contract.

May 23, 2005: My last decision date has arrived. I priced another 2,500 bushels at \$6.38 with an HTA contract in the Nov'05 contract.

As of late May, I am 70% sold on my 2005 crop at an average November futures price of \$6.10, or a cash price of \$5.60-5.70 per bushel. No more pre-harvest sales are planned.