



October 6, 2006

# Grain Marketing

Center for Farm Financial Management

University of Minnesota

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

## Soybeans: 2006 Post-Harvest Marketing Plan

by Ed Usset

2006 production: 23,000 bushels (530 acres @ 43 bushels per)

**Objective:** Seek strategies that offer a price higher than the loan rate. Hold no unpriced beans beyond July 1, 2007.

17,500 bushels priced @ \$6.29 (average of 7 pre-harvest sales) with hedge-to-arrive contracts in the November contract (October 6 close @ 5.64): Place in storage and sell the carry by rolling the November hedges forward to the July contract (closed at \$6.05 $\frac{1}{4}$  on October 6). The harvest basis is 66 under the November and \$1.07 under the July (\$4.98 cash - \$6.05 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 50 under July futures, or by the first week of June. If I reach 50 under the July on these bushels, I will end up with a cash price of \$6.20 per bushel. That's \$5.55 for the soybeans (\$6.05 July futures - \$0.50 basis), plus a 65 cent profit on the November contract (sold @ \$6.29 average, rolled forward at \$5.64). I even have a chance to add an LDP, should the market trend lower in the months ahead.

5,500 bushels remaining: Place in storage and use a hedge-to-arrive contract to sell the carry using the July contract. The harvest basis is 66 under the November and \$1.07 under the July (\$4.98 cash - \$6.05 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 50 under July futures, or by the first week of June. If I reach 50 under the July on these bushels, I will end up with a cash price of \$5.55 per bushel (\$6.05 July futures - \$0.50 basis) and I may even add an LDP, should the market trend lower in the months ahead.



June 13, 2007

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## Soybeans: Execution of the 2006 Post-Harvest Marketing Plan

by Ed Usset

June 1, 2007: The soybean basis has been a consistent disappointment since harvest. (You want the bad news? It might get even worse during the harvest of 2007.) I delivered bushels and set my basis at 85 cents under the July contract.

Final price on 17,500 bushels pre-harvest priced: \$6.05 July futures less \$0.85 basis plus \$0.65 gain from pre-harvest marketing = \$5.85.

Final price on remaining 5,500 bushels: \$6.05 July futures less \$0.85 basis = \$5.20.

### Summary of the 2006 Soybean Crop:

17,500 bushels sold for....	\$5.85
5,500 bushels sold for....	<u>\$5.20</u>
<b>Final average price for 2006 soybeans</b>	<b>\$5.69</b>