



August 31, 2006

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2006 Post-Harvest Marketing Plan

by Ed Usset

2006 production: 25,000 bushels, harvest in August, loan rate @ \$2.62.

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

- 17,500 bushels priced at \$4.13 (average of 7 pre-harvest sales) with futures fixed in the September contract (August 31 close of \$4.55): place in storage and roll the hedge forward to the March contract, trading at \$4.84 per bushel. The elevator will rewrite my HTA using an adjusted March futures base of \$4.42 per bushel (\$4.84 - \$0.42 loss on the September contract). I am hoping that the current basis of 29 cents under the September contract can narrow to 5 cents under the March contract by early next year. Exit plan: I will unwind my storage hedge when the cash basis reaches 5 under the March futures contract or by the first week of February.
- 7,500 bushels remaining: place in storage and sell March futures at \$4.84. Exit plan: I will unwind my storage hedge when the cash basis reaches 5 under the March futures contract or by the end of February.



June 13, 2007

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Spring Wheat: **Execution** of the 2006 Post-Harvest Marketing Plan by Ed Usset

August 31, 2006: The spring wheat market is sporting a 29 cent carry from September to March, remarkably wide and a nice incentive to sell the carry. For bushels priced before harvest (17,500 @ \$4.13 in the September contract) I am aiming for a final price of \$4.37 per bushel (\$4.42 March futures less a 5 cent basis). My aim on the remaining 7,500 bushels is \$4.79 per bushel (\$4.84 March futures less a 5 cent basis). No HTA on these bushels – I called my broker and sold futures directly. I want more flexibility over the final delivery of these bushels. Tight world stocks will tempt some people to hold unpriced wheat in storage, but current prices are very high and point to a higher risk that cash wheat prices will move lower in the months ahead.

February 8, 2007: I've been waiting since harvest for the wheat basis to narrow significantly. It has not happened. Today I will set the basis on all my HTA and futures contracts at 34 cents under the March contract. Wheat will be delivered to the elevator.

Final price on 17,500 bushels pre-harvest priced: \$4.42 March futures less \$0.34 basis = \$4.08.
(\$4.42 March futures already takes into account losses on pre-harvest sales)

Final price on remaining 7,500 bushels: \$4.84 March futures less \$0.34 basis = \$4.50.

Summary of the 2006 Wheat Crop:

17,500 bushels sold for....	\$4.08
7,500 bushels sold for....	<u>\$4.50</u>
Final average price for 2006 wheat	\$4.21