



September 28, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2006 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2006 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 15, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at \$3.55c/\$3.90f, or by March 29, using some form of forward contract.
- Price 2,500 bushels at \$3.70c/\$4.05f, or by April 7, pricing tool tbd.
- Price 2,500 bushels at \$3.85c/\$4.20f, or by April 27, pricing tool tbd.
- Price 2,500 bushels at \$4.00c/\$4.35f, or by May 12, pricing tool tbd.
- Price my last 2,500 at \$4.15c/\$4.50f, or by May 27, pricing tool tbd.

Plan starts on September 1, 2005. Earlier sales will be made at a 20 cent premium to price targets noted above.

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. I will “revisit” my minimum price selection in February, 2006.



May 1, 2006

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Spring Wheat: **Execution** of the 2006 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 9-28-05 @ \$3.70 Sep futures**
- Price 2,500 bushels at \$3.40c/\$3.75f, or by March 15, using some form of forward contract. **Futures fixed on September 30, 2005 @ \$3.84**
- Price 2,500 bushels at \$3.55c/\$3.90f, or by Mar 29, using some form of forward contract. **Futures fixed on January 3, 2005 @ \$3.92**
- Price 2,500 bushels at \$3.70c/\$4.05f, or by April 7, pricing tool tbd. **Futures fixed on April 7, 2006 @ \$4.27**
- Price 2,500 bushels at \$3.85c/\$4.20f, or by Apr 27, pricing tool tbd. **Futures fixed on April 27, 2006 @ \$4.24**
- Price 2,500 bushels at \$4.00c/\$4.35f, or by May 12, pricing tool tbd. **Futures fixed on February 24, 2006 @ \$4.37¼**
- Price my last 2,500 at \$4.15c/\$4.50f, or by May 27, pricing tool tbd. **Futures fixed on May 11, 2006 @ \$4.54¼**



May 1, 2006

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

September 28, 2005: My marketing plan is written and published for the 2006 wheat crop. September 2006 spring wheat futures close at \$3.70. I will use a hedge-to-arrive contract to price 2,500 bushels, representing 10% of my expected 2006 production. This will establish a new crop 2006 cash wheat price of about \$3.40 per bushel, assuming a harvest basis of 30 under September futures.

September 30, 2005: September 2006 spring wheat futures close at \$3.84. I will use another hedge-to-arrive contract to price 2,500 bushels and establish a new crop 2006 cash wheat price of about \$3.54 per bushel (again, assuming a harvest basis of 30 under September futures).

January 3, 2006: September 2006 spring wheat futures close at \$3.92, above my 3rd pricing objective. I will use another hedge-to-arrive contract to price 2,500 bushels.

January 30, 2006: September futures close above \$4.05, but I choose to defer pricing to the April 7 decision date.

February 8, 2006: September futures close above \$4.20, but I choose to defer pricing to the April 27 decision date.

February 24, 2006: September futures close at \$4.37½, above my 6th pricing objective. I will use another hedge-to-arrive contract to price 2,500 bushels.

April 7, 2006: Earlier (Jan 30) I chose to defer the pricing of 2,500 bushels to the April 7 decision date. I will take action today with an HTA at the closing price of \$4.27 September futures.

April 27, 2006: On February 8 I chose to defer the pricing of 2,500 bushels to the April 27 decision date. I will take action today with an HTA at the closing price of \$4.24 September futures.

May 11, 2006: My last price objective is met - I will take action today with an HTA at the closing price of \$4.54¼ September futures.

As of early mid-May, I am 75% priced on my 2006 pre-harvest marketing of spring wheat with an average September futures price of \$4.13, or a cash price of \$3.85-3.90 per bushel.