Soybeans: 2002 Pre-Harvest Marketing Plan
by Ed Usset

Expected 2002 production: 23,000 bushels (530 acres @ 43 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 70% of my anticipated soybean crop priced by mid-June.

- Price 2,500 bushels at $5.05 cash price ($5.55 Nov futures) using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at $5.20, or by March 25, using some form of forward contract.
- Price 2,500 bushels at $5.35, or by April 10, using some form of forward contract.
- Price 2,500 bushels at $5.50, or by April 25, consider options or a trend system.
- Price 2,500 bushels at $5.65, or by May 10, consider options or a trend system.
- Price 2,500 bushels at $5.80, or by May 25, consider options or a trend system.
- Price my last 2,500 bushels at $5.95, or by June 5, consider options or a trend system.

Ignore decision dates and make no sale if prices are lower than $5.05 local cash price/$5.55 November futures.
Exit all options positions by mid-September.
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- Price 2,500 bushels at $5.65, or by April 30, consider options or a trend system. Forward contract @ $5.16 on September 9
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October 1, 2001 through July 21, 2002: The futures and cash soybean markets remain below my minimum pricing threshold since last fall, despite the fact that I lowered my minimum prices from $5.30 cash/$5.80 futures to $5.05 cash/$5.55 futures in May (to adapt to new and lower bean loan rates). Decision dates in March, April, May and June were all ignored as prices remained below the loan rate. November futures have been on an impressive rally, from a low of $4.30 in January to $5.05 per bushel at the end of June. I have 17,500 bushels to price to complete my pre-harvest marketing objective.

July 22, 2002: Today, November bean futures finally reach the $5.55 per bushel mark, as wheat, corn and bean markets continue on their summer rally. Now that I’ve reached my minimum pricing target, I face the same decision as in wheat and corn - is it wise to price all my bushels at once? I choose to sell 7,500 bushels at my minimum pricing objective, and use a moving average of futures prices to determine the timing of the sale of another 10,000 bushels. To price 7,500 bushels, I use a hedge-to-arrive contract at $5.55 per bushel November beans to establish a new crop bean price of $5.05 (assumes an expected harvest basis of 50 under November futures).

August 8, 2002: With November beans closing at $5.22¼, the price trend has turned lower. But with futures below my minimum of $5.55, I choose instead to pass and to reassess my pricing opportunities should the price rebound to $5.55.

September 6, 2002: The market has been very volatile in the last month, with November futures trading in a 50 cent range, from $5.23 to $5.73 per bushel. Today I will set the basis on the 7,500 bushels priced with an HTA contract on July 22 at 41 cents under the November futures, giving me a final price at harvest of $5.14 on these bushels. I’ve also decided to forward contract another 5,000 bushels at $5.16 per bushel. That leaves me with 5,000 bushels that I had intended to price pre-harvest, but I have now decided to hold these bushels for storage to position myself for a post-harvest rally.