Soybeans: 2003 Pre-Harvest Marketing Plan
by Ed Usset

Expected 2003 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 18, using some form of forward contract.
- Price 2,500 bushels at $5.35, or by April 2, using some form of forward contract.
- Price 2,500 bushels at $5.50, or by April 16, consider options or a trend system.
- Price 2,500 bushels at $5.65, or by April 30, consider options or a trend system.
- Price 2,500 bushels at $5.80, or by May 16, consider options or a trend system.
- Price my last 2,500 bushels at $5.95, or by May 30, consider options or a trend system.

Plan starts on October 1, 2002. 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 $5.05 local cash price/$5.55 November futures.
Exit all options positions by mid-September.
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. Futures fixed on May 2 @ $5.57¼ Nov futures
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- Price 2,500 bushels at $5.80, or by May 16, consider options or a trend system. Futures fixed on May 16 @ $5.71¼ futures
- Price my last 2,500 bushels at $5.95, or by May 30, consider options or a trend system. Futures fixed on May 30 @ $5.60¼ futures
Soybeans: Execution of the 2003 Pre-Harvest Marketing Plan
by Ed Usset

May 2, 2003: Nov '03 beans closed at $5.57¼ on Friday, May 2 with a new crop cash bid of $5.07 at my local elevator (50 under - I have the worst basis in the state!). Up to now I had blown thru five different decision dates in my pre-harvest marketing plan with no actions taken because prices were below my $5.05 minimum. That is no longer true.

As of the May 2 close I will price 12,500 bushels using a futures fixed contract with my elevator at $5.57¼. This is about 1/2 of my total anticipated production for 2003 and represents the first five steps in my marketing plan (5*2,500 bushels). Using futures fixed contracts will not lock in the new crop basis, and leaves me open for post harvest opportunities. This is the first time since 2000 that I have been able to make a pre-harvest sale in the spring!

May 16, 2003: My mid-May decision date is here and futures prices are above my minimum price threshold of $5.55 November futures. I decided to price 2,500 bushels with a futures fixed contract at $5.71¼.

May 30, 2003: My final decision date arrived and futures prices are 5 cents above my minimum price threshold of $5.55 November futures. I priced 2,500 bushels with a futures fixed contract at $5.60¼.