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 $6.05¼ 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 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.... $5.20
Final average price for 2006 soybeans $5.69