Soybeans:  2008 Pre-Harvest Marketing Plan
by Ed Usset

Expected 2008 production: 24,000 bushels (530 acres @ 45 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated soybean crop priced by early June.

- Price 2,500 bushels at $6.00 cash price ($6.75 Nov futures) using some form of fixed-price contract: forward contract, HTA, sell futures.
- Price 2,500 bushels at $6.50c/$7.25f, or by March 7, pricing tool to be determined (“tbd”).
- Price 2,500 bushels at $7.00c/$7.75f, or by April 4, pricing tool tbd.
- Price 2,500 bushels at $7.50c/$8.25f, or by April 18, pricing tool tbd.
- Price 2,500 bushels at $8.00c/$8.75f, or by May 5, pricing tool tbd.
- Price 2,500 bushels at $8.50c/$9.25f, or by May 19, pricing tool tbd.
- Price my last 2,500 bushels at $9.00c/$9.75f, or by June 3, pricing tool tbd.

Plan starts on January 1, 2008. Earlier sales will be made at a 40 cent premium to price targets noted above and will be limited to 10,000 bushels.
Ignore decision dates and make no sale if prices are lower than $6.00 local cash price/$6.75 November futures.
Exit all options positions by mid-September, 2008.
Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated soybean crop priced by early June.

- Price 2,500 bushels at $6.00 cash price ($6.75 Nov futures) using some form of fixed-price contract. Futures sale on March 21, 2007 @ $8.26¼ Nov’08 futures
- Price 2,500 bushels at $6.50c/$7.25f, or by March 15, pricing tool tbd. Futures sale on March 21 @ $8.26¼ Nov’08 futures
- Price 2,500 bushels at $7.00c/$7.75f, or by April 2, pricing tool tbd. Futures sale on March 21 @ $8.26¼ Nov’08 futures
- Price 2,500 bushels at $7.50c/$8.25f, or by April 17, pricing tool tbd. Futures sale on March 21 @ $8.26¼ Nov’08 futures
- Price 2,500 bushels at $8.00c/$8.75f, or by May 2, pricing tool tbd. Futures sale on January 2, 2008 @ $11.48 Nov’08 futures
- Price 2,500 bushels at $8.50c/$9.25f, or by May 16, pricing tool tbd. Futures sale on January 2 @ $11.48 Nov’08 futures
- Price my last 2,500 bushels at $9.00c/$9.75f, or by June 3, pricing tool tbd. HTA sale on June 3, 2008 @ $13.53¾ Nov’08 futures
March 21, 2007: Outstanding pricing opportunities are present in all grain markets. I’m going to call my broker and sell 2 contracts of Nov’08 soybean futures (10,000 bushels), representing ~40% of my expected 2008 production. This will establish a new crop 2008 cash soybean price of about $7.50 per bushel, assuming a harvest basis of 75 cents under November futures (ouch!). I am reluctant to price any more soybeans more than 9 months prior to harvest, so don’t expect any more actions until January 1, 2008.

October 8, 2007: I raised my minimum price objective (and all other price objectives), and widened the basis to reflect 75 under.

January 2, 2008: I sold another contract of Nov’08 soybean futures (5,000 bushels) at $11.48. I choose to defer my last sale until I reach the decision date later in the spring.

June 3, 2008: I used an HTA contract to pre-harvest price my last 2,500 bushels, locking in the November contract at 13.5375 per bushel.

I am about 70% sold on my 2008 crop at an average Nov’08 futures price of $9.94, or a cash price of about $9.00 per bushel.