



October 23, 2009

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Soybeans: 2009 Post-Harvest Marketing Plan

by Ed Usset

2009 production: 24,000 bushels (530 acres @ 45 bushels per)

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced soybeans beyond July 1, 2010.

5,000 bushels hedged with the sale of one Nov'09 futures contract at \$13.37 in August 2008: Deliver at harvest for \$9.68 and buy back futures at \$10.06. With a futures gain of \$3.31, the final price is \$12.99 per bushel.

5,000 bushels hedged with the sale of one Nov'09 contract at \$10.31½ in May 2009: Deliver at harvest for \$9.68 and buy back futures at \$10.06. With a futures gain of \$0.25½, the final price is \$9.93½ per bushel.

7,500 bushels hedged with three different HTA contracts, at an average price of \$10.30¼ in the Nov'09 contract: Set the basis at 38 cents under and deliver soybeans at harvest for a final price of \$9.92¼ per bushel.

6,500 bushels not priced before harvest: Price and deliver at harvest for \$9.68 per bushel.



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Soybeans: Execution of the 2009 Post-Harvest Marketing Plan

by Ed Usset

October 23, 2009: Harvest came late this year and I find myself scanning a soybean market that, for me, is sending a clear message: sell at harvest. Carrying charges are inverted (Nov'09 futures at \$10.06, Jul'10 at \$9.97) and provide no incentive for storage. Cash prices approaching the \$10 mark are impressive, and more than \$1 dollar higher than just three weeks ago. Harvest basis levels around the 40 under mark are the best we've seen since 2004. It all adds up to "sell at harvest."

Should I re-own the crop with call options? The history in recent years for a re-ownership strategy in soybeans is positive. The cost, however, is steep. An at-the-money July soybean call will cost about 90 cents per bushel. I pass.

Summary of the 2009 Soybean Crop:

5,000 bushels sold for....	\$12.99
5,000 bushels sold for....	\$9.9350
7,500 bushels sold for....	\$9.9225
6,500 bushels sold for....	<u>\$9.68</u>
Final average price for 2009 soybeans	\$10.50