Grain Marketing

Center for Farm Financial Management
University of Minnesota
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October 7, 2010

Soybeans: 2010 Post-Harvest Marketing Plan

by Ed Usset

2010 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, 2011.

15,000 bushels priced at an average of $9.85 with November futures sales (October 7 close @ 10.65): Place in storage and sell the carry by rolling the November hedges forward to the March contract (closed at $10.83¼ on October 7). The harvest basis is wide; 113 cents under the March ($9.70 cash - $10.83 futures). I expect it to reach 70-80 cents under March by early next year. Exit plan: I will unwind my storage hedge when the cash basis reaches 70 under the March futures contract or by the last week of February. If basis reaches 70 under the March, I will have a cash price of $9.33¼ per bushel ($10.83¼ March futures - $0.70 basis - $0.80 loss on the early sales of November futures).

2,500 bushels: Lock the basis on my HTA and deliver for a price of $8.14¼ ($9.09¼ HTA and a harvest basis of 95 cents under).

1,500 bushels: Sell at the harvest price of $9.70 per bushel.

5,000 bushels remaining: Place in storage and sell the carry with a sale of the March contract. The harvest basis is 113 cents under the March contract. Exit plan: Unwind my storage hedge when the cash basis narrows to 70 under the March futures contract or by the last week of February. If basis reaches 70 under the March, I will have a cash price of $10.13¼ per bushel ($10.83¼ March futures - $0.70 basis).

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May 20, 2011

Soybeans: Execution of the 2010 Post-Harvest Marketing Plan

by Ed Usset

October 7, 2010: Due to storage limitations, I delivered 4,000 bushels at harvest (and a wide harvest basis stings). A portion of this (2,500 bushels) was priced earlier with an HTA contract and the balance (1,500 bushels) was sold at the harvest price. I placed a storage hedge (stored soybeans and sold futures) on the rest of the production. Carrying charges in the futures market are not "large" by any measure, but the basis is weak and selling March futures (or rolling forward November futures sales to the March contract) buys time for a better basis while protecting against lower prices.
February 25, 2011: The soybean basis remains weak and there is a modest carry from the March to July contracts. I will roll my hedges forward to the July contract and add 17¼ cents to my return (SH1 at $13.65½, SN1 at $13.82¾. I will look to unwind these hedges in April or May.
May 20, 2011: The soybean basis has narrowed to 41 cents under the July contract ($13.39 cash, $13.80¼ futures). It's a lot of math – adding carrying charges in the roll, adjusting for the basis and subtracting losses from early sales. My final price on 15,000 bushels is $9.79¼ and the price on the last 5,000 bushels is $10.59¼.

Summary of the 2010 Soybean Crop:

2,500 bushels sold for….	**$8.14¼**
1,500 bushels sold for….	**$9.70**
15,000 bushels sold for….	**$9.79¼**
5,000 bushels sold for….	**<u>$10.59¼</u>**
Final average price for 2010 soybeans	**$9.78**