



October 7, 2011

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Soybeans: 2011 Post-Harvest Marketing Plan

by Ed Usset

2011 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, 2012.

15,000 bushels priced at an average of \$11.21 with November futures sales (October 7 close @ 11.58¼): Place in storage and sell the carry by rolling the November hedges forward to the May contract (closed at \$11.87¼ on October 7). The harvest basis is wide; 80 cents under the November contract and 109 cents under the May contract (\$10.78 cash - \$11.87 futures). I expect basis to reach 40-50 cents under May by early spring. Exit plan: I will unwind my storage hedge when the cash basis reaches 45 under the May futures contract or by the last week of April. If basis reaches 45 under the May, I will have a cash price of \$11.05 per bushel (\$11.87¼ May futures - \$0.45 basis - \$0.37¼ loss on the early sales of Nov'11 futures).

2,500 bushels: Lock the basis on my HTA and deliver for a price of \$12.69¼ (\$13.49¼ HTA and a harvest basis of 80 cents under the Nov'11 contract).

1,500 bushels: Sell at the harvest price of \$10.78 per bushel.

5,000 bushels remaining: Place in storage and hold for higher prices. Sell 1,600 bushels @ \$11.50, 1,700 @ \$12.00, and the last 1,700 @ \$12.50. Risk no more than 78 cents under the harvest price - sell if the cash price falls below \$10.00. Bushels unsold at the end of April will be sold in equal increments in May and June.



April 20, 2012

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Soybeans: Execution of the 2011 Post-Harvest Marketing Plan

by Ed Usset

October 7, 2011: September was a BAD month for soybean prices. At the start of September, my pre-harvest sales were too early and too cheap. By the end of the month, my average early sale price and the market were equal. Carrying charges from November to March or May are not large, but the harvest basis for soybeans is (once again) wide and selling a modest carry buys time for a better basis, and I am a basis bull. I delivered 4,000 bushels at harvest. A portion of this (2,500 bushels) was priced earlier with an HTA contract (at \$13.49/bushel – my best pre-harvest sale) and the balance (1,500 bushels) was sold at the harvest price. I placed a storage hedge (stored soybeans and sold futures) on 15,000 bushels and I am banking on higher prices by spring on the remaining 5,000 bushels.

December 30, 2011 – March 2, 2012: Made minor cash sales 1,600 bus. at \$11.50, 1,700 bus. at \$12.16 and 1,700 bus. at \$12.74, for a 5,000 bushel average of \$12.21/bu.

April 20, 2012: The May basis has narrowed to 53 cents under, not quite as strong as anticipated. I will unwind the storage hedge on 15,000 bushels by buying back 3 contracts of May futures at \$14.47/bu. and selling cash soybeans for \$13.94/bu. The final price works out to \$10.97/bu.

Summary of the 2011 Soybean Crop:

2,500 bushels sold for....	\$12.69 ¹ / ₄
1,500 bushels sold for....	\$10.78
15,000 bushels sold for....	\$10.97
5,000 bushels sold for....	<u>\$12.21</u>

Final average price for 2011 soybeans \$11.40