



October 5, 2012

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Soybeans: 2012 Post-Harvest Marketing Plan

by Ed Usset

2012 production: 25,000 bushels (530 acres @ 47 bushels per)

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced soybeans beyond July 1, 2013.

15,000 bushels priced at an average of $\$12.68\frac{1}{4}$ with November futures sales (October 5 close @ $\$15.51\frac{1}{2}$): Place in storage and rolling the November hedges forward to the January contract (closed at $\$15.51$). The harvest basis is 58 cents under the November and January contracts (cash price at $\$14.94$). I am buying time for a stronger basis in the next two months, or the opportunity to roll the hedge forward at even money to the March contract. Exit plan: Unwind the hedge when basis reaches 30 under the January contract or by the last week of December. If basis reaches 30 under the January, I will have a cash price of $\$12.38$ per bushel ($\$15.51$ January futures - $\$0.30$ basis - $\$2.83$ loss on the early sales of Nov'12 futures).

2,500 bushels: Lock the basis on my HTA and deliver for a price of $\$12.10\frac{1}{4}$ ($\$12.68\frac{1}{4}$ HTA and a harvest basis of 58 cents under the Nov'12 contract).

2,500 bushels: Sell at the harvest price of $\$14.94$ per bushel.

5,000 bushels remaining: Place in storage and hold for higher prices. Sell 2,500 bushels @ $\$15.50$, and the last 2,500 @ $\$16.00$. Risk no more than 74 cents under the harvest price - sell if the cash price falls below $\$14.20$. Bushels unsold at the end of April will be sold in equal increments in May and June.



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Soybeans: Execution of the 2012 Post-Harvest Marketing Plan

by Ed Usset

October 5, 2012: Drought strikes – the worst since 1988 – and prices soar. Early sales were too early and cheap, and the lack of carry makes rolling the hedge difficult. I rolled some to the January contract at about even money, trying buy time for basis improvement. I will hold a few bushels in storage for higher prices. Soybean stocks are tight and the possibility for even higher prices exists.

November 9, 2012: Holding unpriced soybeans is not fun. The cash price dropped below \$14.20/bushel and it's time to make an exit on 5,000 bushels at \$14.06/bu.

December 21, 2012: The basis is 30 cents under the January contract and it's time to unwind the hedge – buy back January futures at \$14.30¾ and sell cash soybeans at \$14.01/bu. Final price is \$12.38/bu. (\$12.68¼ Nov sales – ½ cents inverse to January – 29¾ cent basis).

Summary of the 2012 Soybean Crop:

2,500 bushels sold for....	\$12.10¼
2,500 bushels sold for....	\$14.94
15,000 bushels sold for....	\$12.38
5,000 bushels sold for....	<u>\$14.06</u>
Final average price for 2012 soybeans	\$12.94½