



October 17, 2014

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Soybeans: 2014 Post-Harvest Marketing Plan

by Ed Usset

2014 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, 2015.

5,000 bushels: priced and deliver at harvest at \$8.79/bu. Harvest prices are 8.79 cash, November nearby futures at \$9.51³/₄ and a nearby basis of 73 cents under the Nov.

15,000 bushels priced at \$11.93 (average of 3 pre-harvest sales) with futures sales of the November contract (October 17 close @ \$9.51³/₄): Place in storage and sell the carry by rolling the November hedges forward to the May contract, trading at \$9.76³/₄/bu. The carry from November to May is 25 cents/bu. – not great but a decent opportunity to sell the carry and buy time for a better basis. I expect a harvest basis of 73 cents under the Nov and 98 cents under the May can be 30 cents under the May by next spring. Exit plan: Unwind my storage hedge when the cash basis reaches 30 cents under the May contract, or by the end of April. If the basis reaches 30 under the May, I will receive a cash price of \$11.88 per bushel (\$9.76³/₄ May futures + (-\$0.30) basis + \$2.41¹/₄ gain on the early sales of November futures).

5,000 bushels remaining: Place in storage and hold for higher prices. Sell 2,500 bushels @ \$9.30 and 2,500 bushels @ \$9.80. Risk no more than 79 cents/bu. under the harvest price - sell if the cash price falls below \$8.00. Bushels unsold at the end of April will be sold in equal increments in May and June.



April 30, 2015

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Soybeans: Execution of the 2014 Post-Harvest Marketing Plan

by Ed Usset

October 17, 2014: Storage limitations force the sale of 5,000 bushels at harvest. Carrying charges in the soybean market are not large, but they are big enough to catch my attention because they give me the opportunity to wait for a better basis.

October 31, 2014: Grain markets are enjoying a fast and sharp post harvest rally in prices. I was looking for a cash price of \$9.30/bu. to sell another 2,500 bushels, and the market reached \$9.74. Sale made.

November 21, 2014: I was looking for a cash price of \$9.80/bu. to sell another 2,500 bushels, and the market reached \$9.82. Sale made.

April 30, 2015: The storage hedge placed at harvest worked, but not nearly as well as I had hoped. In October, I sold May soybean futures at \$9.76³/₄ and stored soybeans that were then trading at 98 cents under the May contract. The futures contracts bought back today are virtually the same as in October (\$9.78¹/₂), and the basis has narrowed to 50 cents under. Final cash price is \$11.68 per bushel (\$9.76³/₄ May futures + (-\$0.50) basis + \$2.41¹/₄ gain on the early sales of Nov'14 futures).

Summary of the 2014 Soybean Crop:

5,000 bushels sold for...	\$8.79
15,000 bushels sold for...	\$11.68
2,500 bushels sold for...	\$9.74
2,500 bushels sold for...	<u>\$9.82</u>
Average price for 2014 soybeans	\$10.72