



December 23, 2015

# Grain Marketing

Center for Farm Financial Management  
University of Minnesota

<http://www.cffm.umn.edu/GrainMarketing/marketingplans.aspx>

## Soybeans: 2016 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2016 production: 25,000 bushels

**Objective:** Buy crop insurance to protect my production risk, and have 75% of my anticipated soybean crop priced by mid-June.

- Price 5,000 bushels at \$10.25 cash price (\$11.00 Nov futures) using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at \$11.00c/\$11.75f, or by April 21, pricing tool to-be-determined (“tbd”).
- Price 5,000 bushels at \$11.75c/\$12.50f, or by May 19, pricing tool tbd.
- Price 5,000 bushels at \$12.50c/\$13.25f, or by June 20, pricing tool tbd.

Plan starts on January 1, 2016.

Ignore decision dates and make no sale if prices are lower than \$10.25 local cash price/\$11.00 November futures.

Exit all options positions by mid-September, 2016.



June 20, 2016

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## Soybeans: **Execution** of the 2016 Pre-Harvest Marketing Plan by Ed Usset

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- Price 5,000 bushels at \$10.25 cash price (\$11.00 Nov futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on April 18, 2016 @ \$9.67<sup>1</sup>/<sub>4</sub> Nov'16 futures**
- Price 2,500 bushels at \$11.00c/\$11.75f, or by April 21 **HTA June 6 @ \$11.05<sup>3</sup>/<sub>4</sub> Nov'16 futures**
- Price 5,000 bushels at \$11.75c/\$12.50f, or by May 19 **Futures sale June 6 @ \$11.05<sup>3</sup>/<sub>4</sub> Nov'16 fut.**
- Price 5,000 bushels at \$12.50c/\$13.25f, or by June 20 **Futures sale June 6 @ \$11.32<sup>3</sup>/<sub>4</sub> Nov'16 fut.**

Plan starts on January 1, 2016.

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## Soybeans: Execution of the 2016 Pre-Harvest Marketing Plan

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December 23, 2015: Again I write a plan with minimum prices modestly below production costs. The production and sale of grain should be about maximizing profits, but commodity markets can be cruel. When markets are down, it may help to focus on minimizing losses. What I have not written down is my willingness to consider pricing 20-40% before harvest at prices even lower than the minimum price.

April 18, 2016: The soybean market has been rallying since early March and today stands \$1/bu. off lows set repeatedly over the past 5 months. I don't like pricing a solid dollar below production costs, but \$1 rallies (and 12% higher than lows) have been hard to find. In addition, I can't help but note that the spreads have NOT been narrowing as prices rise, and this strikes me as a red flag in believing the fundamentals behind this rally. Call it a defensive sale – minimizing losses – with a hope for even better prices ahead.

June 6, 2016: A close above \$11 in the Nov'16 contract is an opportunity for some catch-up sales in the marketing plan. This rally has been very impressive. Over the past month I was seriously pondering a change in my marketing plan – lowering my minimum price objective from \$11/ bu. Nov'16 futures to \$10.50/bu. \$11 felt like a reach at the time, but here we are!

June 20, 2016: My final decision date is reached, and with Nov'16 futures above \$11 (my minimum price objective), I will sell one contract of Nov'16 futures at \$11.32<sup>3</sup>/<sub>4</sub>/bu. My pre-harvest activities are completed for 2016.

**2016 status: 75% sold at an average price of \$10.74 Nov'16 futures, or close to a \$10 cash price.**