Expected 2001 production: 25,000 bushels (640 acres @ 38 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 70% of my APH insured wheat crop priced by early June.

- Price 10% of anticipated wheat production (2,500 bu.) at $3.50 (Sept wheat) using forward contract/futures hedge/futures fixed contract.
- Price another 10% at $3.60, or by 3/20, using some form of forward contract.
- Price another 10% at $3.70, or by 4/5, using put options/"fence"/minimum price contract (hang on to the upside potential).
- Price another 10% at $3.80, or by 4/20, using some form of forward contract.
- Price another 10% at $3.90, or by 5/5, using some form of min. price contract.
- Price my last 10% at $4.00, or by 5/20, using some form of min. price contract.
- Price another 10% at $4.10, or by 6/5, using some form of min. price contract.

I choose to ignore decision dates if prices are lower than $3.50 September futures.
Spring Wheat: Execution of the 2001 Pre-Harvest Marketing Plan
by Ed Usset

Objective: Buy crop insurance to protect my production risk, and have 70% of my anticipated spring wheat crop priced by early June.

- Price 10% of anticipated wheat production (2,500 bu.) at $3.50 (Sept wheat) using forward contract/futures hedge/futures fixed contract. Futures fixed on 3-13-01 @ $3.61¼ Dec futures
- Price another 10% at $3.60, or by 3/20, using some form of forward contract. Futures fixed on 4-26-01 @ $3.60¾ Dec futures
- Price another 10% at $3.70, or by 4/5, using put options/"fence"/minimum price contract (hang on to the upside potential). pass – below minimum price
- Price another 10% at $3.80, or by 4/20, using some form of forward contract. pass
- Price another 10% at $3.90, or by 5/5, using some form of min. price contract. pass
- Price another 10% at $4.00, or by 5/20, using some form of min. price contract. pass
- Price my last 10% at $4.10, or by 6/5, using some form of min. price contract. pass
March 13, 2001: September wheat futures have just returned to the $3.50 mark, the starting point for my pre-harvest marketing plan. Harvest sales are often the worst in wheat, so I decide to use a hedge-to-arrive contract on the December wheat contract ($3.61¼) to establish an October delivery price of about $3.30 (assumes an October basis of 30 under December futures). I still intend to collect my LDP - if there is one - at harvest.

March 20, 2001: September wheat futures close at $3.35, below my $3.50 minimum pricing threshold. I choose to pass and not price my spring wheat at this time.

April 5, 2001: September wheat futures close at $3.35, still below my $3.50 minimum pricing threshold. I choose to pass.

April 20, 2001: September wheat futures close at $3.45, still below my $3.50 minimum pricing threshold. I choose to pass.

April 26, 2001: The spring wheat market is showing strength, and September wheat rallies as high as $3.51, settling at $3.50. I decide to use a hedge-to-arrive contract on the December wheat contract ($3.60¾) to establish an October delivery price of about $3.30 (assumes an October basis of 30 under December futures). I intend to collect my LDP at harvest.

May 4, 2001: September wheat futures close at $3.41¼, below my $3.50 minimum. I choose to pass.

May 21, 2001: September wheat futures close at $3.35, below my $3.50 minimum. I choose to pass.

June 5, 2001: September wheat futures close at $3.30, below my $3.50 minimum. I choose to pass.