Expected 2002 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 2,500 bushels at $3.10 cash price ($3.50 Sept wheat) using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at $3.20, or by March 20, using some form of forward contract.
- Price 2,500 bushels at $3.30, or by April 5, using some form of forward contract.
- Price 2,500 bushels at $3.40, or by April 20, using some form of forward contract.
- Price 2,500 bushels at $3.50, or by May 5, consider options or a trend system.
- Price my last 2,500 bushels at $3.60, or by May 20, consider options or a trend system.

Ignore decision dates and make no sale if prices are lower than $3.10 local cash price/$3.50 September futures.
Objective: Buy crop insurance to protect my production risk, and have 70% of my APH spring wheat crop priced by early June.

- Price 2,500 bushels at $3.10 cash price ($3.50 Sept wheat) using forward contract/futures hedge/futures fixed contract. Futures fixed on July 5 @ $3.50 Sep futures
- Price 2,500 bushels at $3.20, or by March 20, using some form of forward contract. Futures fixed on July 5 @ $3.50 Sep futures
- Price 2,500 bushels at $3.30, or by April 5, using some form of forward contract. Futures fixed on July 5 @ $3.50 Sep futures
- Price 2,500 bushels at $3.40, or by April 20, using some form of forward contract. Used moving average starting July 5 - Futures fixed on July 31 @ $3.71 Sep futures
- Price 2,500 bushels at $3.50, or by May 5, consider options or a trend system. Used moving average starting July 5 - Futures fixed on July 31 @ $3.71 Sep futures
- Price my last 2,500 bushels at $3.60, or by May 20, consider options or a trend system. Used moving average starting July 5 - Futures fixed on July 31 @ $3.71 Sep futures
Spring Wheat: Execution of the 2002 Pre-Harvest Marketing Plan
by Ed Usset

September 1, 2001 through July 3, 2002: The futures and cash spring wheat markets remain below my minimum pricing threshold since late last summer. Decision dates in March, April, May and June were all ignored as prices remained below the loan rate. September spring wheat futures have been on an impressive rally, from a low of $2.95 in the third week of May to $3.31 per bushel at the end of June. The chances of reaching my $3.50 minimum are getting much better. I have 15,000 bushels to price to complete my pre-harvest marketing objective.

July 5, 2002: September spring wheat futures finally reach the $3.50 per bushel mark. As in the case of corn, this “late rally” situation raises an interesting question. Is it now wise to price all 15,000 bushels at my minimum pricing objective of $3.50 per bushel? Like my decision in pre-harvest pricing of corn, I want to play the upside of this summer rally with some of these bushels. I will sell 7,500 bushels at my minimum pricing objective, and use a moving average of futures prices to determine the timing of the sale of another 7,500 bushels. I will use a hedge-to-arrive contract on the first 7,500 bushels, which will keep my delivery options open at harvest. This will establish a new crop wheat price of about $3.10 (assumes an expected harvest basis of 40 under September futures).

July 31, 2002: On July 30, September spring wheat futures closed at $3.68½. The price trend, as measured by the 4 and 9 day moving averages, has turned lower. I price 7,500 bushels at $3.71, the open of July 31 using a hedge-to-arrive contract.