Expected 2003 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 $3.40 3.25 cash price ($3.50 Sept wheat) using forward contract/futures hedge/futures fixed contract.
- Price 2,500 bushels at $3.20 3.35, or by March 18, using some form of forward contract.
- Price 2,500 bushels at $3.30 3.45, or by March 30, using some form of forward contract.
- Price 2,500 bushels at $3.40 3.55, or by April 16, using some form of forward contract.
- Price 2,500 bushels at $3.50 3.65, or by April 30, consider options or a trend system.
- Price 2,500 bushels at $3.60 3.75, or by May 16, consider options or a trend system.
- Price my last 2,500 at $3.70 3.85, or by June 5, consider options or a trend system.

Plan starts on September 1, 2002. Earlier sales will be made at a 15 cent premium to price targets noted above.
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 anticipated 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 7-16-02 @ $3.67 Sep futures
- Price 2,500 bushels at $3.20, or by March 18, using some form of forward contract. Futures fixed on 8-16-02 @ $3.78½
- Price 2,500 bushels at $3.30, or by March 30, using some form of forward contract. Futures fixed on 9-2-02 @ $3.98
- Price 2,500 bushels at $3.40, or by April 16, using some form of forward contract. Futures fixed on 9-2-02 @ $3.98
- Price 2,500 bushels at $3.50, or by April 30, consider options or a trend system. Futures fixed on 9-9-02 @ $4.10
- Price 2,500 bushels at $3.60, or by May 16, consider options or a trend system. Futures fixed on 10-15-02 @ $4.19
- Price my last 2,500 at $4.10, or by June 5, using some form of min. price contract. Futures fixed on 5-30-03 @ $3.58½
Spring Wheat:  **Execution** of the 2003 Pre-Harvest Marketing Plan
by Ed Usset

July 16, 2002:  September 2003 spring wheat futures trade through the $3.65 per bushel mark, and close at $3.67. I will use a hedge-to-arrive contract to price the first 2,500 bushels, which will keep my delivery options open at harvest – the harvest of 2003! This will establish a new crop 2003 wheat price of about $3.25, assuming an expected harvest basis of 40 under September futures.

August 16, 2002:  September 2003 spring wheat futures trade through the $3.75 per bushel mark (see chart on the next page), and close at $3.78½. I will use another hedge-to-arrive contract to price my second 2,500 bushels. Again, I keep my delivery options open for the harvest of 2003. This will establish a new crop 2003 wheat price of about $3.35.

End of August, 2002: Plan Changes  Clearly the tempo of this market has changed. I’ve decided to make a minor adjustment to my plan. The original plan called for early sales (defined as pre-September 1, 2002) at a 15 cent premium to original price targets. I have decided to keep the 15 cent premium on all price targets for entire time the plan is used.

September 6, 2002:  Today I get a “two-fer” as September 2003 spring wheat futures trade through my next two pricing targets of $3.85 and $3.95 to close at $3.98. Again I will use a hedge-to-arrive contract to price 5,000 bushels. My delivery options remain open for the harvest of 2003 and, assuming a 40 under harvest basis, this will establish a new crop 2003 wheat price of about $3.58.
September 9, 2002:  Just another new high in the wheat market as Sep’03 spring wheat futures trades through my next pricing target of $4.05 to close at $4.10. The hedge-to-arrive contract remains my pricing tool of choice on 2,500 bushels. Assuming a 40 under harvest basis, this will establish a new crop 2003 wheat price of about $3.70.

End of September, 2002: Plan Changes  One more minor adjustment: The 2002 crop will clearly be considered a “short crop” and with this in mind, I want to move up my decision dates from May of 2003 to October and November of this year (see changes in red). Why am I in such a hurry to complete my pre-harvest pricing of the 2003 crop? The evidence is not real deep, but a quick look at previous short crops in wheat, corn and beans indicates that “earlier is better” in pricing the crop that follows a short crop.

October 15, 2002: After a one month respite, the market shows new life and records another life-of-contract high. September 2003 wheat futures close at $4.19, 4 cents over my next pricing target. The hedge-to-arrive contract remains my pricing tool of choice on 2,500 bushels. Assuming a 40 under harvest basis, this will establish a new crop 2003 wheat price of about $3.79.

May 30, 2003: I made my final pre-harvest sales with a futures fixed contract at $3.58 ½ at the end of May. I now have 70% of the crop priced at an average Sep’03 futures price of $3.90, over 30 cents above the current market.