Spring Wheat: 2004 Post-Harvest Marketing Plan
by Ed Usset

2004 production: 25,000 bushels, harvest in late August, loan rate @ $2.84.

Objective: Seek strategies that offer a price higher than the loan rate. Hold no unpriced wheat beyond July 1, 2005.

- 20,000 bushels priced @ ~$3.85 with futures fixed in September contract (September contract closed at $3.43 on August 30): place in storage and roll hedge forward to the May contract (closed at $3.70 on August 30). The harvest basis is 32 under the Sep ($3.11 cash - $3.43 futures) and 59 under the May ($3.11 cash - $3.70 futures). I hope to lock the basis at 10 under the May, sometime between November and April. If I get this done, I will end up with a cash price of $4.02 per bushel. That's $3.60 for the wheat ($3.70 May futures - $0.10 basis) plus a 42 cent profit on the Sep contract (sold @ $3.85 average, rolled forward at $3.43).

- 5,000 bushels remaining: place in storage and take out the loan for later sale.

Exit plan: I will unwind my storage hedge when I can lock-in a cash basis of 10 under the May futures contract or by the second week of April. For other bushels in storage, the loan rate of $2.84 is my downside protection. Sell 2,500 bushels @ $3.75 cash price and the last 2,500 @ $4.00. Bushels unsold at the end of April will be sold in equal increments in May and June.
Spring Wheat: Execution of the 2004 Post-Harvest Marketing Plan
by Ed Usset

October 7, 2004: There is a 30 cent LDP on spring wheat in Marshall County. It’s time to take it on the 20,000 bushels that are hedged and held in storage. If I reach my basis objective of 10 under the May on these bushels and include the LDP, I will end up with a net price of $4.32 per bushel.

December 3, 2004: The spot price of wheat reached $3.45, or 9 cents under the May futures contract of $3.54. My basis objective has been met! I will lock-in this basis with my local elevator and deliver 20,000 bushels of grain (assuming my elevator will let me deliver early on a HTA contract). The final price on these bushels is $4.33, calculated as follows…

$3.61 ($3.70 May futures hedge - $0.09 basis) + $0.42 (pre-harvest sale profit on Sep contract sold @ $3.85 average, rolled forward at $3.43) + $0.30 LDP.

May 27, 2005: Sold 2,500 bushels held in storage for $3.70. My remaining 2,500 bushels will be priced in June.

June 24, 2005: Priced and delivered my last 2,500 bushels held in storage for $3.60.

Summary of the 2004 Wheat Crop:

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
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</thead>
<tbody>
<tr>
<td>20,000 bushels sold for</td>
<td>$4.33</td>
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<tr>
<td>2,500 bushels sold for</td>
<td>$3.70</td>
</tr>
<tr>
<td>2,500 bushels sold for</td>
<td>$3.60</td>
</tr>
<tr>
<td>Final average price for 2004 wheat</td>
<td>$4.19</td>
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</tbody>
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