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

Expected 2004 production: 25,000 bushels (640 acres @ 38 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 75% of my APH insured wheat crop priced by early June.

- Price 5,000 bushels at $3.10 cash price ($3.50 Sep. futures) using some form of fixed price contract.
- Price 5,000 bushels at $3.30, or by Apr 5, using a fixed price contract.
- Price 5,000 bushels at $3.50, or by May 4, consider options or trend system.
- Price 5,000 bushels at $3.70, or by Jun 3, consider options or trend system.

Plan starts on September 1, 2003. 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 75% of my APH insured wheat crop priced by early June.

- Price 5,000 bushels at $3.10 cash price ($3.50 Sep. futures) using some form of fixed price contract. Futures fixed on 7-18-03 @ $3.66
- Price 5,000 bushels at $3.30, or by Apr 5, using a fixed price contract. Futures fixed on 11-12-03 @ $3.70
- Price 5,000 bushels at $3.50, or by May 4, consider options or trend system. Futures fixed on 1-8-04 @ $3.92
- Price 5,000 bushels at $3.70, or by Jun 3, consider options or trend system. Futures fixed on 2-23-04 @ $4.13½
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July 18, 2003: September 2004 spring wheat futures trade through the $3.65 per bushel mark, and close at $3.66. I will use a hedge-to-arrive contract to price the first 5,000 bushels, which will keep my delivery options open at harvest – the harvest of 2004! This will establish a new crop 2003 wheat price of about $3.26, assuming an expected harvest basis of 40 under September futures.

November 12, 2003: Priced 5,000 bushels of new crop wheat with an HTA contract at $3.70 in the Sep’04 contract.

January 8, 2004: Priced 5,000 bushels of new crop wheat with an HTA contract at $3.92 in the Sep’04 contract.

February 23, 2004: Priced 5,000 bushels of new crop wheat with an HTA contract at $4.13½ in the Sep’04 contract.

I have about 75% of my 2004 crop priced before harvest at a weighted average price of $3.85 in the Sep’04 contract, or about $3.50 cash price assuming a harvest basis of 35 under.