



August 23, 2011

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2012 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2012 production: 30,000 bushels (640 acres @ 47 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 \$6.20 cash price/\$6.80 Sep wheat futures using forward contract/futures hedge/futures fixed contract.
- Price 5,000 bushels at \$6.60c/\$7.20f, or by March 8, pricing tool to be determined (“tbd”).
- Price 5,000 bushels at \$7.00c/\$7.60f, or by April 6, pricing tool tbd.
- Price 2,500 bushels at \$7.40c/\$8.00f, or by May 4, pricing tool tbd.
- Price my last 5,000 bushels at \$7.80c/\$8.40f, or by June 4, pricing tool tbd.

Plan starts on November 1, 2011. Earlier sales will be made at a 30 cent premium to price targets noted above and will be limited to 15,000 bushels.

I will consider the Dec'12 futures contract for new crop sales at a 15 cent premium to Sep'12.

Ignore decision dates and make no sale if prices are lower than \$6.20 local cash price/\$6.80 September futures.



May 30, 2012

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Spring Wheat: **Execution** of the 2012 Pre-Harvest Marketing Plan

by Ed Usset

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

- Price 5,000 bushels at \$6.20 cash price/\$6.80 Sep wheat futures using forward contract/futures hedge/futures fixed contract. **Futures sale on August 23, 2011 @ \$9.03¾ Sep'12 contract**
- Price 5,000 bushels at \$6.60c/\$7.20f, or by March 8
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- Price 5,000 bushels at \$7.00c/\$7.60f, or by April 6, pricing tool tbd.
Futures sale on August 23, 2011 @ \$9.03¾ Sep'12 contract
- Price 2,500 bushels at \$7.40c/\$8.00, or by May 4, pricing tool tbd.
HTA contract on March 30, 2012 @ \$8.21½ Sep'12 contract
- Price my last 5,000 bushels at \$7.80c/\$8.40f, or by June 4, pricing tool tbd.



March 30, 2012

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Spring Wheat: **Execution** of the 2012 Pre-Harvest Marketing Plan by Ed Usset

August 23, 2011: I have dragged my feet for a long time. I've had 2012 wheat pricing on my mind for 6 months but just kept putting it off. It had my attention last December, when the Sep'12 contract began trading in earnest, close to \$8/bushel. I watched it trade above \$9 in February, only to collapse below \$8 in March. I watched a second rally to \$9.80 in late May, and another collapse to below \$8 in June (June was a BAD month for wheat prices). Here we are again, back above \$9. The market feels very perky but I look at the record in cotton since March (straight down – who saw that coming?) and remind myself that it is not a bad thing to get some wheat priced and on the books. By any measure, \$9 futures/\$8.50 cash spring wheat is profitable.

March 30, 2012: After months of sideways trade, the March planting report sent prices soaring back above the \$8 mark for the September contract. I only have 2,500 bushels to price, so I will use an HTA contract with Sep'12 wheat at \$8.21½/bu.

I am almost 60% sold on my 2012 crop at an average Sep'12 futures price of \$8.92 or a cash price of about \$8.50 per bushel.