



August 23, 2013

# Grain Marketing

Center for Farm Financial Management

University of Minnesota

[www.cffm.umn.edu/grain](http://www.cffm.umn.edu/grain)

## Spring Wheat: 2013 Post-Harvest Marketing Plan

by Ed Usset

2013 production: 30,000 bushels, harvest in late August.

**Objective:** Seek strategies that balance risk and reward in the current market environment. Hold no unpriced wheat beyond June 1, 2014.

- 20,000 bushels priced before harvest with Sep'13 futures sales at \$9.02/bu. (average of two sales, August 23 closing price @ \$7.16¼): Place wheat in storage after harvest and roll the hedge forward to the Jul'14 contract, trading at \$7.51½ (35¼ cent positive carry). The cash price is \$6.66/bu. and the harvest basis is 50 cents under the September and 85 cents under the July contract. Basis will narrow in the months ahead, possibly to option price or better against the July contract by spring. Exit plan: Unwind the hedge when the cash basis reaches option price (0 basis July contract) or by June 15.
- 5,000 bushels: Hedge with the sale of Jul'14 futures at \$7.51½/bu. Exit plan: Unwind the hedge when the cash basis reaches option price (0 basis) or by June 15.
- 2,500 bushels priced before harvest with HTA contract at \$9.41 per bushel in the September contract: Set the basis at 50 cents under and sell at harvest for 8.91\$/bu.
- 2,500 bushels remaining: Sell at harvest for \$6.66/bu.



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January 24, 2014

## Spring Wheat: Execution of the 2013 Post-Harvest Marketing Plan by Ed Usset

August 23, 2013: Pre-harvest sales worked very well this year, as the September contract is currently more than \$2/bu. below my first sales prices. The spring wheat market is showing positive carrying charges, all the way out to the Jul'14 contract. Nice carrying charges and the opportunity for a much stronger basis next year point to selling the carry with as many bushels as possible (25,000). Selling the carry with the Jul'14 contract buys me ample time to wait for a basis gain of 90 cents/bu., from 85 under the Jul'14 today, to option price or better by next spring. After storing and selling the carry on 25,000 bushels, I'll price and deliver the bushels I can't store (5,000) at harvest.

January 24, 2014: I've been closely tracking the basis at Beltrami Farmers Elevator in Beltrami because it is consistently stronger than the basis in Crookston and just a few miles south. Cash prices have spiked up to \$6.33/bu., 20 cents over the nearby March contract and 12 cents over the July contract, where I placed my short hedge last August. That's a 97 cent improvement in the July basis in just 5 months (from 85 cents under the July to 12 cents over)! It's time to unwind my hedges – sell cash wheat and buy back July futures. On 20,000 bushels priced before harvest, my final price is  $\$7.51\frac{1}{2}$  July futures + 0.12 basis + 1.85 $\frac{3}{4}$  September futures gain = \$9.49 $\frac{1}{4}$ . On 5,000 bushels hedged at harvest, my final price is  $\$7.51\frac{1}{2}$  July futures + 0.12 basis = \$7.63 $\frac{1}{2}$ .

### Summary of the 2013 Wheat Crop:

2,500 bushels sold for...	\$6.66
2,500 bushels sold for...	\$8.91
20,000 bushels	\$9.49 $\frac{1}{4}$
5,000 bushels	\$7.63 $\frac{1}{2}$
<b>Final average price for 2013 wheat</b>	<b>\$8.90/bu.</b>