



November 18, 2013

# Grain Marketing

Center for Farm Financial Management  
University of Minnesota

<http://www.cffm.umn.edu/GrainMarketing/marketingplans.asp>

## Spring Wheat: 2014 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2014 production: 30,000 bushels

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

- Price 5,000 bushels at \$6.90 cash price (\$7.50 September futures) using forward contract/futures hedge/futures fixed contract.
- Price 5,000 bushels at \$7.40c/\$8.00f, or by March 17, pricing tool to be determined (“tbd”).
- Price 5,000 bushels at \$7.90c/\$8.50f, or by April 15, pricing tool tbd.
- Price 2,500 bushels at \$8.40c/\$9.00f, or by May 14, pricing tool tbd.
- Price my last 5,000 bushels at \$8.90c/\$9.50f, or by June 13, pricing tool tbd.

Plan starts on November 1, 2013. Earlier sales may be made at a 50 cent premium to price targets noted above and would be limited to 15,000 bushels.

I will consider the Dec'14 futures contract for new crop sales at a 15 cent premium to Sep'14.

Ignore decision dates and make no sale if prices are lower than \$6.90 local cash price/\$7.50 September futures.



May 14, 2014

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## Spring Wheat: **Execution** of the 2014 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 mid-June.

- Price 5,000 bushels at \$6.90 cash price (\$7.50 September futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on March 19, 2014 @ \$7.52½ Sep'14 contract**
- Price 5,000 bushels at \$7.40c/\$8.00f, or by March 17, pricing tool tbd.  
**Futures sale on March 19, 2014 @ \$7.52½ Sep'14 contract**
- Price 5,000 bushels at \$7.90c/\$8.50f, or by April 15, pricing tool tbd.  
**Futures sale on April 15 @ \$7.53¼ Sep'14 contract**
- Price 2,500 bushels at \$8.40c/\$9.00f, or by May 14, pricing tool tbd.  
**HTA on May 14 @ \$7.83½ Sep'14 contract**
- Price my last 5,000 bushels at \$8.90c/\$9.50f, or by June 13, pricing tool tbd.



May 14, 2014

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## Spring Wheat: **Execution** of the 2014 Pre-Harvest Marketing Plan by Ed Usset

March 19, 2014: Following an oppressive downward spiral in wheat prices from October 2013 through the end of January, I had nearly lost hope of making any pre-harvest sales before harvest. Since then, however, the price recovery has been quite impressive and today the market closed just above my minimum price objective. I make two sales, with the sale of two contracts of Sep'14 HRS wheat at \$7.52½/bu.

April 15: As if on cue, the price of the Sep'14 contract closes above the \$7.50 minimum price on this day – my next decision date. I make another sale with one contract of Sep'14 HRS wheat at \$7.53¼ bu.

May 14: Another decision date and another sale. The quantity (2,500 bushels) is smaller than a futures contract, so I will use an HTA contract with September futures as the base price of \$7.83½/bu.

**I am about 60% sold on my 2014 crop at an average Sep'14 futures price of \$7.57 or a cash price of about \$7.10 per bushel.**