



August 24, 2018

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Spring Wheat: 2018 Post-Harvest Marketing Plan

by Ed Usset

2018 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, 2019.

- 20,000 bushels priced before harvest with Sep'18 futures sales at \$6.23/bu. and rolled to the Mar'19 contract at a 33 cent carry, or \$6.56/bu. The Sep'18 price was an average of four sales, August 24 closing price Sep'18 @ \$5.7275, Mar'19 @ \$6.06: Place wheat in storage after harvest and maintain the Mar'19 hedge. The cash price is \$5.33/bu., harvest basis is 40 cents under the September, and 73 under the March contract. Basis will narrow in the months ahead, possibly to option price the March contract by year-end. Net result if I reach option price? $\$6.56 + (0.00) = \$6.56/\text{bu.}$ Exit plan: Unwind the hedge when the cash basis reaches option price the March contract or by February 25.
- 2,500 bushels priced before harvest with HTA contract at \$6.21/bu. in the September contract: Set the basis at 40 cents under and sell at harvest for 5.81\$/bu.
- 2,500 bushels: place in storage and wait for better prices. Sell when the cash price reaches \$6.00, or by the end of April.
- 5,000 bushels remaining: I don't have the space to store it all. Sell at harvest for \$5.33/bu.



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Spring Wheat: Execution of the 2018 Post-Harvest Marketing Plan by Ed Usset

August 24, 2018: As it has in each of the past 4 years, the markets gave us opportunities to make pre-harvest sales at better prices. Most of my post-harvest strategy involves rolling earlier Sep hedges to the March contract at a 33 cent carry. If basis narrows as much as I hope, I could have most of my wheat priced more than \$1.00 over the harvest price. I am friendly towards wheat prices, as the world situation is turning favorable for wheat. Now if we just didn't have these trade issues to deal with...

Summary of the 2018 Wheat Crop:	
2,500 bushels sold for...	\$5.81
5,000 bushels	\$5.33
2,500 bushels	\$??
20,000 bushels	\$??
Final average price for 2018 wheat	\$??