



August 26, 2016

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2016 Post-Harvest Marketing Plan

by Ed Usset

2016 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, 2017.

- 10,000 bushels: Place wheat in storage after harvest and wait for a better price. The cash price at harvest is \$4.33/bu. Exit plan: Sell 5,000 bushels at \$4.75 and the last 5,000 bushels at \$5.00/bushel. Bushels unsold on April 15 will be sold in 2,000 bushel increments over the next 5 weeks.
- 15,000 bushels: Hedge with the sale of July'17 futures at \$5.24¼/bu. If the basis can narrow to 10 cents under the July contract (60 under the September contract at harvest), I will end up with \$5.14/bu. wheat, or 81 cents better than the harvest price. Exit plan: Unwind the hedge when the cash basis reaches 10 cents under the July contract (-\$0.10 basis) or by June 1.
- 5,000 bushels remaining: I don't have the space to store it all. Sell at harvest for \$4.33/bu.



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June 1, 2017

Spring Wheat: **Execution** of the 2016 Post-Harvest Marketing Plan by Ed Usset

August 26, 2016: My greatest regret in 2016 was NOT getting any pre-harvest sales made in spring wheat. I got a lot done in soybeans, a nice start in corn but my hope for 10 cents more in the wheat market last June proved fruitless. The world of wheat is in a world of hurt and the bears are in control. It did not help that the U.S. set a new wheat yield record, shattering the old one by 5 bpa and 12%. For a rally to start, we need a major producing country to stumble. Grain in the bin means I am willing to wait for it.

November 1, 2016: Basis has strengthened sharply and the local price is \$4.90. Time to price 5,000 bushels held in storage. Basis update: the harvest basis of 91 cents under the July has narrowed to 49 cents under (\$4.90 cash - \$5.39 futures).

November 28, 2016: The local bid has topped \$5.00/bu. Time to price another 5,000 bushels held in storage at \$5.06/bu.

June 1, 2017: My wait for a basis of 10 cents under the July proved fruitless. Wheat (and corn and soybean) basis has been poor the entire crop year. I will price the remaining 15,000 bushels at the current basis of 45 cents under the July, and establish a final price of \$4.79¼ (5.2425-.45).

Summary of the 2016 Wheat Crop:

5,000 bushels sold for...	\$4.33
15,000 bushels	\$4.79¼
5,000 bushels	\$4.90
5,000 bushels	<u>\$5.06</u>
Final average price for 2016 wheat	\$4.78