



October 26, 2016

Grain Marketing

Center for Farm Financial Management
University of Minnesota

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Spring Wheat: 2017 Pre-Harvest Marketing Plan

by Edward Usset

Expected 2017 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 \$5.50 cash price (\$6.00 September futures) using forward contract/futures hedge/futures fixed contract.
- Price 5,000 bushels at \$6.00c/\$6.50f, or by March 15, pricing tool to be determined (“tbd”).
- Price 5,000 bushels at \$6.50c/\$7.00f, or by April 11, pricing tool tbd.
- Price 2,500 bushels at \$7.00c/\$7.50f, or by May 10, pricing tool tbd.
- Price my last 5,000 bushels at \$7.50c/\$8.00f, or by June 9, pricing tool tbd.

Plan starts on January 1, 2017.

I will consider the Dec'17 futures contract for new crop sales at a 12 cent premium to Sep'17.

Ignore decision dates and make no sale if prices are lower than \$5.50 local cash price/\$6.00 September futures.



July 3, 2017

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Spring Wheat: Execution of the 2017 Pre-Harvest Marketing Plan

by Edward Usset

Expected 2017 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 \$5.50 cash price (\$6.00 September futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on June 6, 2017 @ \$6.00¼ Sep'17 contract**
- Price 5,000 bushels at \$6.00c/\$6.50f, or by March 15, pricing tool to be determined ("tbd"). **Futures sale on June 20 @ \$6.59¼ Sep'17 contract**
- Price 5,000 bushels at \$6.50c/\$7.00f, or by April 11, pricing tool tbd. **Futures sale on June 28 @ \$7.08 Sep'17 contract**
- Price 2,500 bushels at \$7.00c/\$7.50f, or by May 10, pricing tool tbd. **HTA on June 30 @ \$7.71¾ Sep'17 contract**
- Price my last 5,000 bushels at \$7.50c/\$8.00f, or by June 9, pricing tool tbd. **Futures sale on July 3 @ \$8.16 Sep'17 contract**

Plan starts on January 1, 2017.

I will consider the Dec'17 futures contract for new crop sales at a 12 cent premium to Sep'17. Ignore decision dates and make no sale if prices are lower than \$5.50 local cash price/\$6.00 September futures.



July 27, 2017

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Spring Wheat: **Execution** of the 2017 Pre-Harvest Marketing Plan by Edward Usset

October 26, 2016: My minimum price objective has been lowered again – the third year in a row. I made no early sales last year and I regret it! I want to price 20-40% before harvest, even if prices are below my minimum price.

June 6, 2017: You have to go back a full year – when the contract started trading – to find the Sep'17 wheat contract above \$6/bu., my minimum price objective (it bottomed out at \$5.20/bu. last September). I have some catching up to do in my pre-harvest plan, but I sense momentum and I don't feel the need to rush. I will make one sale of Sep'17 futures at \$6.00¼ and keep my eyes on a couple more sales in the weeks ahead. BTW, carrying charges in the spring wheat market are non-existent, as prices for the Sep, Dec, March and May contracts are very similar.

June 20, 2017: I'm winging it during this early summer rally. After my initial sale on June 6, I mentally set my sights at the opportunity to price Sep'17 at \$6.50/bu. or better. I got my chance. The problems in spring wheat country are real, but the world wheat situation is still in the neutral to bearish column.

June 28, 2017: Spring wheat conditions are as bad as they have been since the drought of 1988. Oddly enough, wheat conditions in Minnesota are actually quite good – the problems are in South Dakota, Montana and North Dakota. I cannot pass on a chance for a sale above \$7 in the Sep'17 contract.

June 30: I clearly set my sights on getting something done every 50 cents higher (\$6, \$6.50, \$7.00, etc.) and it is breathtaking to see how quickly it happens. HTA on 2,500 bu. with the Sep'17 close at \$7.71¾.

July 3: My goal is to get to 75% priced before harvest and a close above \$8.00 is a chance for one more sale. Done! Final sale made with Sep'17 close at \$8.16/bu.

July 27: This is a funny looking bull market, with the Sep/Dec spread showing an 10 cent positive carry (Sep'17 \$7.36½, Dec'17 \$7.46½). True bull markets are inverted but, after reaching a high of an 18 cent inverse on July 3, the spread has collapsed to show a respectable 10 cent carry – it may get even wider. I will treat this as a good time to roll all of my hedges forward to the December contract.

I am 75% sold on the 2017 crop at an average Sep'17 Dec'17 futures price of \$7.04 \$7.14 or a cash price of about \$6.85 per bushel.