



August 24, 2018

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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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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April 30, 2019

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...

February 25, 2019: My hopes for a stronger wheat basis never emerged. March contract? Hardly. The basis narrowed from 73 cents under the March contract in late August, to 37 cents under towards the end of February. $6.56 + (-0.37) = 6.19$ final price on 20,000 bushels. Far short of expectation, but nearly \$1 higher than the current HRS wheat price of \$5.30/bu.

April 30, 2019: Final sale made at \$4.63/bu. Ouch.

Summary of the 2018 Wheat Crop:

2,500 bushels sold for...	\$5.81
5,000 bushels	\$5.33
2,500 bushels	\$4.63
20,000 bushels	<u>\$6.19</u>
Final average price for 2018 wheat	\$5.89