



August 23, 2019

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2019 Post-Harvest Marketing Plan

by Ed Usset

2019 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, 2020.

- 5,000 bushels: Storage limitations. Sell at harvest for \$4.47/bu.
- 10,000 bushels: Place wheat in storage sell the carry with the Mar'20 futures contract. Harvest price is \$4.47/bu., or 52 cents under the Sep'19 contract (\$4.9875), and 81 under the Mar'20 contract (\$5.275). Basis will narrow in the months ahead, possibly to 10 cents under the March contract by year-end. Net result if I reach option price? $\$5.28 + (-0.00) = \$5.28/\text{bu}$. Exit plan: Unwind the hedge when the cash basis reaches option price the March contract or by February 25.
- 15,000 bushels: place in storage and wait for better prices. Sell 5,000 bushels when the cash price reaches \$5.20, 5,000 at \$5.45 and the last 5,000 at \$5.70. Old crop sales will be completed by the end of April.



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April 24, 2020

Spring Wheat: Execution of the 2019 Post-Harvest Marketing Plan

by Ed Usset

August 23, 2019: Wheat prices have bottomed out and I did not get a single pre-harvest sale made. Ouch. Carries are large so I need to sell the carry on some bushels. But prices are too low (famous last words?) and I am willing to take a shot with unpriced wheat in storage.

September 27, 2019: A quick post-harvest bounce in prices gives me a chance to sell 5,000 bushels at \$5.25/bu.

December 6, 2019: I was expecting the basis to narrow by the end of the year. My target was 10 cents under the March contract and today the basis is option price the March, or 10 cents better than expected. Unwind the hedge; buy back March futures and sell cash wheat at the same price. Final price is \$5.28 March futures sale + (-0.00) basis = \$5.28/bu. cash price.

January 20, 2020: The cash price reaches \$5.48/bu. and gives me the chance to price another 5,000 bushels. Only 5,000 bushels remain to be priced.

April 24, 2020: The COVID-19 pandemic has been very bad for all grain prices. It is time to put an end to marketing of the 2019 crop with an end-of-April sale at \$4.78/bu.

Summary of the 2019 Wheat Crop:

5,000 bushels	\$4.47
5,000 bushels	\$5.25
10,000 bushels	\$5.28
5,000 bushels	\$5.48
5,000 bushels	<u>\$4.78</u>
Final average price for 2019 wheat	\$5.09