



August 21, 2020

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Spring Wheat: 2020 Post-Harvest Marketing Plan

by Ed Usset

2020 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, 2021.

- 5,000 bushels: Storage limitations. Sell at harvest for \$4.95/bu.
- 15,000 bushels: Place wheat in storage sell the carry with the Mar'21 futures contract. Harvest price is \$4.95/bu., or 20 cents under the Sep'20 contract (\$5.15), and 45 under the Mar'21 contract (\$5.40). Basis will narrow in the months ahead, possibly to option price the March contract by year-end. Net result if I reach option price? $\$5.40 + (-0.00) = \$5.40/\text{bu}$. Exit plan: Unwind the hedge when the cash basis reaches option price the March contract or by February 25.
- 10,000 bushels: place in storage and wait for better prices. Sell 4,000 bushels when the cash price reaches \$5.60, 3,000 at \$5.70 and the last 3,000 at \$5.80. Old crop sales will be completed by the end of April.



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February 26, 2021

Spring Wheat: Execution of the 2020 Post-Harvest Marketing Plan by Ed Usset

August 21, 2020: The story in 2020 has been a virtual repeat of 2019. Harvest is here and, like last year, not get a single pre-harvest sale made. Carries are large (again) so I need to sell the carry on some bushels. But prices are low and the wheat market is overdue for a nice price rally – I will take a shot with some unpriced wheat in storage.

December 31, 2020: Cash wheat bids reach \$5.74 at the local market, and I will price 7,000 bushels held in storage.

January 11, 2021: Cash wheat bids reach \$5.86 at the local market, and I will price 3,000 bushels – the last unpriced grain held in storage.

February 26, 2021: Futures remain strong but, unlike previous years, the wheat basis has lagged. I will deliver 15,000 bushels of wheat for a cash price of \$6.04/ bu., or 27 cents under the March futures, bought back for \$6.31/bu. \$5.40 March sale + (-0.27) = \$5.13/bu.

Summary of the 2020 Wheat Crop:

5,000 bushels	\$4.95
15,000 bushels	\$5.13
4,000 bushels	\$5.74
3,000 bushels	\$5.74
3,000 bushels	<u>\$5.86</u>
Final average price for 2020 wheat	\$5.32