



August 25, 2023

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Spring Wheat: 2023 Post-Harvest Marketing Plan

by Ed Usset

2023 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, 2024.

- 7,500 bushels: Storage limitations force a harvest sale at \$7.42 per bushel.
- 2,500 bushels: Priced earlier with an HTA at $\$8.71\frac{1}{2}$, place wheat in storage and roll the HTA forward to the Mar'24 contract, adding the $\$0.39\frac{1}{2}$ carry from Sep'23 ($\$7.75\frac{3}{4}$) to the Mar'24 contract ($\$8.16\frac{3}{4}$). The new HTA base price is $\$9.12\frac{1}{2}$ /bu. ($\$8.71\frac{1}{2} + \0.41). The harvest basis is 73 cents under the March contract which I expect to narrow sharply by year end or early 2024. Exit plan: Unwind the hedge when the cash basis reaches 5 cents under the March contract or by February 25.
- 20,000 bushels: Hedged earlier with four separate sales of September futures at an average price of $\$8.93$ /bu.: place wheat in storage and roll the hedge forward to the Mar'24 contract (buy Sep'23 and sell Mar'24), adding the $\$0.41$ carry from Sep'23 to the Mar'24 contract. I am now essentially hedged in the Mar'24 contract at $\$9.34$ /bu. ($\$8.93 + \0.41). The harvest basis is 73 cents under the March contract which I expect to narrow sharply by year end or early 2024. Exit plan: Unwind the hedge when the cash basis reaches 5 cents under the March contract or by February 25.



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February 23, 2024

Spring Wheat: **Execution** of the 2023 Post-Harvest Marketing Plan

by Ed Usset

August 25, 2023: Over the past 6 months, the spring wheat market has been a roller coaster with five separate price dips and recoveries of 10% or more. At harvest, we are at the end of the final dip, taking the Sep'23 contract to near life-of-contract lows. At 120% of interest costs, the carry from Sep'23 to Mar'24 is not particularly large. However, the carry is only part of the story as the harvest basis is 75 cents under the March contract. I will roll earlier hedges forward to the March contract in anticipation of the basis reaching 5 cents under by December or early in 2024. If the basis narrows as much as expected, I will end up with a lot of wheat priced at over \$9/bu. This opportunity to hedge in the March contract is the closest thing to a no-brainer strategy that I have seen in several years.

February 23, 2024: I waited patiently for the March basis to narrow before unwinding my final sales. I was looking for a basis of 5 cents under the March or better by the end of February, and on the 23rd of February, the basis reached option price (Mar'24 futures and the cash bids at \$6.42/bu.). Setting the basis on an HTA for 2,500 bushel results in a final price of \$9.12½/bu. On the remaining 20,000 bushels, I can sell the wheat and buy back March futures, both at \$6.42/bu. This results in a final price of \$9.34/bu.

Summary of the 2023 Wheat Crop:

7,500 bushels	\$7.42
2,500 bushels	\$9.125
20,000 bushels	<u>\$9.43</u>
Final average price for 2023 wheat	\$8.90