

Harvest Marketing Decisions

Larry Lev

AREc/OSU

Jan. 2000

You are a wheat producer not a wheat speculator

Therefore -- Sell unless there is a good reason not to

Examine marketing options every 3 months

Case 1: If Portland price at harvest is below \$3.00, store

Case 2: Hedge with Chicago Futures at harvest if all of the following hold:

- ❖ Portland cash price is greater than \$3.00
- ❖ The nearby basis is less than 30 cents
- ❖ The carry in the futures market is greater than 20 cents

Remove hedge at next decision point if conditions no longer hold.

Case 3 : In all other instances, sell at harvest (13 of the last 24 years or 54% of the all years).

Harvest Marketing Decisions (Using the Lev Simplified Decision Rules)

Year	August Price	Nearby Basis	Best Carry	Decisions Taken				Net Strategy Return	Net April Return
				Aug	Nov	Feb	Apr		
1976/77	3.39	.035	.34	Hedge	Maintain	Maintain	Sell	3.69	2.68
1977/78	2.92	.65	.2425	Store	Store	Store	Sell	3.35	3.35
1978/79	3.70	.5725	-.0175	Sell	--	--	--	3.70	3.37
1979/80	4.33	.1850	.0825*	Sell	--	--	--	4.33	3.78
1980/81	3.94	-.6225	.3925	Hedge	Maintain	Maintain	Sell	4.69	4.11
1981/82	4.22	.175	.765	Hedge	Maintain	Sell	--	4.71	3.76
1982/83	4.10	.63	.48	Sell	--	--	--	4.10	4.35
1983/84	4.04	.265	.2525*	Hedge	Sell	--	--	4.1925	3.72
1984/85	3.70	.16	.3225	Hedge	Sell	--	--	3.9025	3.67
1985/86	3.47	.5575	.1025	Sell	--	--	--	3.47	3.60
1986/87	2.70	.0825	-.0175*	Store	Store	Store	Sell	2.81	2.81
1987/88	2.68	.0875	.225*	Store	Store	Store	Sell	3.04	3.04
1988/89	4.15	.325	.13*	Sell	--	--	--	4.15	4.28
1989/90	4.39	.52	.1825*	Sell	--	--	--	4.39	3.41

Harvest Marketing Decisions

(Using the Lev Simplified Decision Rules)

Year	August Price	Nearby Basis	Best Carry	Decisions Taken				Net Strategy Return	Net April Return	
				Aug	Nov	Feb	Apr			
1990/91	3.15	.32	.275	Hedge	Maintain	Sell	--	3.256	3.02	
1991/92	3.41	.455	.20	Sell	--	--	--	3.41	4.01	
1992/93	4.00	.91	.15	Sell	--	--	--	4.00	3.47	
1993/94	3.39	.325	.10	Sell	--	--	--	3.39	3.24	
1994/95	3.52	.1975	.20	Hedge	Sell	--	--	3.96	3.72	
1995/96	4.63	.22	.1125	Sell	--	--	--	4.63	5.31	
1996/97	4.78	.32	.04	Sell	--	--	--	4.78	3.87	
1997/98	4.15	.5175	.25	Sell	--	--	--	4.15	3.11	
1998/99	2.63	.11.75	.4025	Store	Hedge	Sell	--	3.0925	2.88	
1999/00	3.17	.385	.385	Sell	--	--	--	3.17	?	
								3.87	3.89	

* 1999/00 not included in the average data