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# Should I Sell My Wheat?

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# CORNHUSKER ECONOMICS

## Should I Sell My Wheat?

Market Report	Yr Ago	4 Wks Ago	7/14/06
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight . . . . .	\$80.00	\$78.78	\$81.81
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb . . . . .	142.21	133.08	139.86
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb . . . . .	118.89	114.74	119.84
Choice Boxed Beef, 600-750 lb. Carcass . . . . .	133.87	152.09	149.59
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	66.21	77.82	66.89
Feeder Pigs, National Direct 45 lbs, FOB . . . . .	49.09	50.47	51.31
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean . . . . .	69.47	77.75	76.46
Slaughter Lambs, Ch. & Pr., 90-160 lbs., Shorn, Midwest . . . . .	105.00	80.00	100.75
National Carcass Lamb Cutout, FOB . . . . .	250.87	212.47	225.97
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu . . . . .	3.16	4.17	4.55
Corn, No. 2, Yellow Omaha, bu . . . . .	2.14	2.02	2.30
Soybeans, No. 1, Yellow Omaha, bu . . . . .	6.98	5.70	5.63
Grain Sorghum, No. 2, Yellow Columbus, cwt . . . . .	3.66	2.88	3.59
Oats, No. 2, Heavy Minneapolis, MN, bu . . . . .	1.94	2.25	2.31
<b><u>Hay</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton . . . . .	117.50	130.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton . . . . .	37.50	80.00	87.50
Grass Hay, Large Rounds, Good Northeast Nebraska, ton . . . . .	52.50	55.00	82.50
* No market.			

At this time of year, the most common question that I get from producers is, “Should I sell my wheat?” For an extension economist, this is a loaded question. If my answer is yes, then the price will go up \$0.30 per bushel next week and I will get another less pleasant call. If I say no, the price will go down \$0.30 the next week, and I get to have another conversation.

So what is the correct answer to this question? Usually the response that I will give you includes a couple of key questions. First, I want to know whether or not today’s price is high enough to cover your costs. At times when the price is low, I am asking if the price will cover cash costs. With prices near \$5.00 per bushel at the present time, producers should be considering whether or not they can cover total costs of production. Second, I will ask where this price fits into the marketing plan. If a producer plants the crop with some idea of a marketing plan and intends to market portions of the crop at specific price thresholds, then present prices need to be compared to those trigger points.

The most recent University of Nebraska budgets for dryland wheat produced in a wheat-fallow rotation in Western Nebraska show a total cost of \$176.37 per acre. In addition, it is estimated that total cash costs in this system are nearly \$115.00 per acre. Table 1 on the next page shows that \$5.00 wheat at approximately average yields (35 bu/acre) will break even. Producers who can produce wheat at lower costs will be able to reach break even at lower prices or lower yields. Knowing the cost of production for the wheat that is either in the bin or in the field is critical to making the

marketing decisions. Recognition of the point where profits are available and making the selling decision are paramount to successful marketing. In those years where prices or yields are lower, covering the cash costs becomes the key decision making trigger point for making marketing decisions. Many producers in Western Nebraska are facing these difficult decisions since drought has reduced yields this summer while prices appear to be attractive.

With prices at nearly \$5.00 per bushel, everyone wants to know if this is the top of the market or are we going higher. All of the reports from harvest throughout the wheat belt suggest that the crop is below average in nearly all locations. There may be additional strength in the market, but missing those trigger points in the marketing plan is not recommended. While there may be higher prices later in the marketing year, local legend suggests that a farmer should not own \$5.00 wheat.

As we move further into the summer, producers will need to pay attention to those marketing plans and take advantage of any rallies that may come along. Most of our producers have some arrangement with the local elevator for 30 to 45 days of free storage. Paying storage on \$5.00 wheat will be difficult for many of them to swallow. On the other hand, we will hear some stories about the producers who held out for higher prices and paid \$0.50 storage and got \$4.00 for their wheat. It happens every year.

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**Table 1. Net Returns Over Total Costs for Winter Wheat-Fallow Systems,  
 Based on Several Price and Yield Levels**

Wheat Price \$/bu	Wheat Yield (bushels per acre)				
	15	25	35	45	55
2.50	(\$138.87)	(\$113.87)	(\$88.87)	(\$63.87)	(\$38.87)
3.00	(\$131.37)	(\$101.37)	(\$71.37)	(\$41.37)	(\$11.37)
3.50	(\$123.87)	(\$88.87)	(\$53.87)	(\$18.87)	\$16.13
4.00	(\$116.37)	(\$76.37)	(\$36.37)	<b>\$3.63</b>	<b>\$43.63</b>
4.50	(\$108.87)	(\$63.87)	(\$18.87)	<b>\$26.13</b>	<b>\$71.13</b>
5.00	(\$101.37)	(\$51.37)	(\$1.37)	<b>\$48.63</b>	<b>\$98.63</b>
5.50	(\$93.87)	(\$38.87)	<b>\$16.13</b>	<b>\$71.13</b>	<b>\$126.13</b>
6.00	(\$86.37)	(\$26.37)	<b>\$33.63</b>	<b>\$93.63</b>	<b>\$153.63</b>

**Table 2. Net Returns Over Cash Costs for Winter Wheat-Fallow Systems,  
 Based on Several Price and Yield Levels**

Wheat Price \$/bu	Wheat Yield (bushels per acre)				
	15	25	35	45	55
2.50	(\$77.50)	(\$52.50)	(\$27.50)	(\$2.50)	\$22.50
3.00	(\$70.00)	(\$40.00)	(\$10.00)	<b>\$20.00</b>	<b>\$50.00</b>
3.50	(\$62.50)	(\$27.50)	<b>\$7.50</b>	<b>\$42.50</b>	<b>\$77.50</b>
4.00	(\$55.00)	(\$15.00)	<b>\$25.00</b>	<b>\$65.00</b>	<b>\$105.00</b>
4.50	(\$47.50)	(\$2.50)	<b>\$42.50</b>	<b>\$87.50</b>	<b>\$132.50</b>
5.00	(\$40.00)	<b>\$10.00</b>	<b>\$60.00</b>	<b>\$110.00</b>	<b>\$160.00</b>
5.50	(\$32.50)	<b>\$22.50</b>	<b>\$77.50</b>	<b>\$132.50</b>	<b>\$187.50</b>
6.00	(\$25.00)	<b>\$35.00</b>	<b>\$95.00</b>	<b>\$155.00</b>	<b>\$215.00</b>