

Corn



1989-2006: Sally "sells the carry" in years when the December-July carrying charge is greater than 15 cents at harvest.

2007 forward: Sally "sells the carry" when the December-July carrying charge is greater than 120% of interest costs at harvest.

To sell the carry, she places her crop into on-farm storage and sells July futures on the Friday between October 12-18.

She lifts the hedge (buys back July and sells cash grain) on the Friday between May 25-31.

Her price from the storage hedge is calculated net of on-farm storage costs (interest plus an in/out handling and shrink charge).

If carrying charges are small at harvest, she sells her grain at harvest, just like her neighbor Barney.

Summary of Sally's results are on page 2.

Harvest						
Cash and futures prices (Friday between October 12-18)						
crop year	Chicago corn futures		Pipestone	July Basis		
	December	July	Dec/July Carry			
1989/90	\$2.3400	\$2.4600	\$0.1200	\$2.08	(\$0.38)	small carry, grain sold at harvest
1990	\$2.3025	\$2.4925	\$0.1900	\$1.98	(\$0.51)	sold a large carry at harvest
1991	\$2.5125	\$2.7100	\$0.1975	\$2.15	(\$0.56)	sold a large carry at harvest
1992	\$2.0775	\$2.2750	\$0.1975	\$1.83	(\$0.45)	sold a large carry at harvest
1993	\$2.4875	\$2.6325	\$0.1450	\$2.20	(\$0.43)	small carry, grain sold at harvest
1994	\$2.1750	\$2.4075	\$0.2325	\$1.83	(\$0.58)	sold a large carry at harvest
1995	\$3.2525	\$3.3125	\$0.0600	\$2.78	(\$0.53)	small carry, grain sold at harvest
1996	\$2.8025	\$2.9425	\$0.1400	\$2.46	(\$0.48)	small carry, grain sold at harvest
1997	\$2.8200	\$3.0125	\$0.1925	\$2.38	(\$0.63)	sold a large carry at harvest
1998	\$2.2550	\$2.4775	\$0.2225	\$1.64	(\$0.84)	sold a large carry at harvest
1999	\$1.9925	\$2.2250	\$0.2325	\$1.38	(\$0.85)	sold a large carry at harvest
2000	\$2.0800	\$2.3325	\$0.2525	\$1.56	(\$0.77)	sold a large carry at harvest
2001	\$2.0800	\$2.3400	\$0.2600	\$1.57	(\$0.77)	sold a large carry at harvest
2002	\$2.5425	\$2.6225	\$0.0800	\$2.23	(\$0.39)	small carry, grain sold at harvest
2003	\$2.1425	\$2.2825	\$0.1400	\$1.80	(\$0.48)	small carry, grain sold at harvest
2004	\$2.0675	\$2.3075	\$0.2400	\$1.77	(\$0.54)	sold a large carry at harvest
2005	\$2.0350	\$2.3050	\$0.2700	\$1.41	(\$0.90)	sold a large carry at harvest
2006	\$3.1450	\$3.3300	\$0.1850	\$2.69	(\$0.64)	sold a large carry at harvest

Spring					
Cash and futures prices (Friday between May 25-31)					
Chicago corn futures	Pipestone Cash	July Basis	Gain		Price before storage*
			Harvest to Spring	Price	
\$2.8400	\$2.57	(\$0.27)	\$0.11		\$2.08
\$2.4575	\$2.27	(\$0.19)	\$0.33		\$2.31
\$2.5950	\$2.34	(\$0.26)	\$0.31		\$2.46
\$2.2450	\$2.00	(\$0.25)	\$0.20		\$2.03
\$2.6675	\$2.46	(\$0.21)	\$0.23		\$2.20
\$2.7100	\$2.42	(\$0.29)	\$0.29		\$2.12
\$4.7725	\$4.62	(\$0.15)	\$0.38		\$2.78
\$2.7075	\$2.44	(\$0.27)	\$0.22		\$2.46
\$2.3850	\$2.06	(\$0.33)	\$0.31		\$2.69
\$2.1950	\$1.82	(\$0.38)	\$0.46		\$2.10
\$2.3350	\$1.86	(\$0.48)	\$0.37		\$1.75
\$1.9125	\$1.51	(\$0.40)	\$0.37		\$1.93
\$2.1400	\$1.82	(\$0.32)	\$0.45		\$2.02
\$2.4425	\$2.22	(\$0.22)	\$0.17		\$2.23
\$3.0400	\$2.86	(\$0.18)	\$0.30		\$1.80
\$2.2125	\$1.89	(\$0.32)	\$0.22		\$1.99
\$2.5400	\$1.96	(\$0.58)	\$0.32		\$1.73
\$3.7600	\$3.48	(\$0.28)	\$0.36		\$3.05

Harvest										
Cash and futures prices (Friday between October 12-18)										
crop year	Chicago corn futures		Pipestone	Dec/July per month cents/bushel	Prime plus 1%	monthly interest cost cents/bushel	monthly carry, % of interest cost	July Basis		
	December	July	Dec/July Carry							
2007/08	\$3.5100	\$3.8775	\$0.3675	\$3.06	5.3	9.25%	2.4	223%	(\$0.82)	sold a large carry at harvest
2008	\$4.0300	\$4.4300	\$0.4000	\$3.58	5.7	5.50%	1.6	348%	(\$0.85)	sold a large carry at harvest
1990-2007	\$2.46	\$2.66	\$0.20	\$2.04					(\$0.62)	

Spring					
Cash and futures prices (Friday between May 25-31)					
Chicago corn futures	Pipestone Cash	July Basis	Gain		Price before storage*
			Harvest to Spring	Price	
\$5.9925	\$5.58	(\$0.41)	\$0.41		\$3.47
\$2.84	\$2.53	(\$0.31)			\$2.28

* There are two ways to calculate the price before storage when Sally sells the carry; (1) July futures at harvest + the July basis in spring and, (2) the cash price at harvest + the July basis gain from harvest to spring.

Sally Sellthecarry
(page 2)



Corn

Sally "sells the carry" in years when the December-July carrying charge is greater than 15 cents at harvest.
To sell the carry, she places her crop into on-farm storage and sells July futures on the Friday between October 12-18.
She lifts the hedge (buys back July and sells cash grain) on the Friday between May 25-31.
Her price from the storage hedge is calculated net of on-farm storage costs (interest plus an in/out handling and shrink charge).
If carrying charges are small at harvest, she sells her grain at harvest.
Detail behind Sally's results from selling the carry are on page 1.

Pipestone Cash Price Friday <u>crop year</u> <u>Oct 12-18</u>	October - May Storage Costs					Total on-farm storage cost	Price before storage	Storage cost	Net price after storage	Sally's weighted average** price	
	Prime Lending Rate	Prime plus 1%	7 months interest cost	In/out Charge							
1989/90	\$2.08	10.50%	11.50%	\$0.14	\$0.08	\$0.22	\$2.08	#N/A	\$2.08	\$2.08	<i>small carry, grain sold at harvest</i>
1990	\$1.98	10.00%	11.00%	\$0.13	\$0.08	\$0.21	\$2.31	\$0.21	\$2.10	\$2.07	<i>sold a large carry at harvest</i>
1991	\$2.15	8.00%	9.00%	\$0.11	\$0.08	\$0.19	\$2.46	\$0.19	\$2.26	\$2.24	<i>sold a large carry at harvest</i>
1992	\$1.83	6.00%	7.00%	\$0.07	\$0.08	\$0.15	\$2.03	\$0.15	\$1.88	\$1.87	<i>sold a large carry at harvest</i>
1993	\$2.20	6.00%	7.00%	\$0.09	\$0.08	\$0.17	\$2.20	#N/A	\$2.20	\$2.20	<i>small carry, grain sold at harvest</i>
1994	\$1.83	7.75%	8.75%	\$0.09	\$0.08	\$0.17	\$2.12	\$0.17	\$1.94	\$1.92	<i>sold a large carry at harvest</i>
1995	\$2.78	8.75%	9.75%	\$0.16	\$0.08	\$0.24	\$2.78	#N/A	\$2.78	\$2.78	<i>small carry, grain sold at harvest</i>
1996	\$2.46	8.25%	9.25%	\$0.13	\$0.08	\$0.21	\$2.46	#N/A	\$2.46	\$2.46	<i>small carry, grain sold at harvest</i>
1997	\$2.38	8.50%	9.50%	\$0.13	\$0.08	\$0.21	\$2.69	\$0.21	\$2.48	\$2.46	<i>sold a large carry at harvest</i>
1998	\$1.64	8.13%	9.13%	\$0.09	\$0.08	\$0.17	\$2.10	\$0.17	\$1.94	\$1.88	<i>sold a large carry at harvest</i>
1999	\$1.38	8.25%	9.25%	\$0.07	\$0.08	\$0.15	\$1.75	\$0.15	\$1.60	\$1.55	<i>sold a large carry at harvest</i>
2000	\$1.56	9.50%	10.50%	\$0.10	\$0.08	\$0.18	\$1.93	\$0.18	\$1.75	\$1.72	<i>sold a large carry at harvest</i>
2001	\$1.57	5.50%	6.50%	\$0.06	\$0.08	\$0.14	\$2.02	\$0.14	\$1.88	\$1.82	<i>sold a large carry at harvest</i>
2002	\$2.23	4.75%	5.75%	\$0.07	\$0.08	\$0.15	\$2.23	#N/A	\$2.23	\$2.23	<i>small carry, grain sold at harvest</i>
2003	\$1.80	4.00%	5.00%	\$0.05	\$0.08	\$0.13	\$1.80	#N/A	\$1.80	\$1.80	<i>small carry, grain sold at harvest</i>
2004	\$1.77	4.75%	5.75%	\$0.06	\$0.08	\$0.14	\$1.99	\$0.14	\$1.85	\$1.83	<i>sold a large carry at harvest</i>
2005	\$1.41	6.75%	7.75%	\$0.06	\$0.08	\$0.14	\$1.73	\$0.14	\$1.58	\$1.55	<i>sold a large carry at harvest</i>
2006	\$2.69	8.25%	9.25%	\$0.15	\$0.08	\$0.23	\$3.05	\$0.23	\$2.82	\$2.80	<i>sold a large carry at harvest</i>
2007/08	\$3.06	8.25%	9.25%	\$0.17	\$0.08	\$0.25	\$3.47	\$0.25	\$3.22	\$3.19	<i>sold a large carry at harvest</i>
2008	\$3.58	4.50%	5.50%	\$0.11	\$0.08	\$0.19					<i>sold a large carry at harvest</i>
1990-2007	\$2.04			\$0.10		\$0.18	\$2.28			\$2.13	

** Due to on-farm storage limitations, Sally must sell 20% of her crop at harvest, and at the harvest price. Her final price will be a weighted average of 20% harvest sale and 80% from selling the carry.