



October 19, 2007

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2007 Post-Harvest Marketing Plan

by Ed Usset

Expected 2007 production: 85,000 bushels (600 acres @ 140 bushels per)

Objective: Seek strategies that offer a price higher than the loan rate. Hold no unpriced corn beyond July 1, 2008.

65,000 bushels priced @ $\$3.49\frac{1}{4}$ (average of 6 pre-harvest sales) with futures fixed in the December contract (October 19 close @ $3.70\frac{1}{4}$): Place in storage and sell the carry by rolling the December hedges forward to the July contract (closed at $\$4.04\frac{1}{2}$ on October 19). The 21 cent loss in the December contracts ($\$3.49\frac{1}{4}$ sales vs. $\$3.70\frac{1}{4}$ market) is taken out of the July contract base in the new HTA – instead of July @ $\$4.04\frac{1}{2}$, it will be written into my HTA contract at $\$3.83\frac{1}{2}$. The harvest basis is 79 under the July ($\$3.26$ cash price at harvest - $\$4.05$ futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 25 under July futures, or by the first week of June. If I reach 25 under the July on these bushels, I will end up with a cash price of **$\$3.58\frac{1}{2}$** per bushel ($\$3.83\frac{1}{2}$ July futures - $\$0.25$ basis).

20,000 bushels: Place in storage and sell the carry with an HTA on the July contract. Exit plan: Unwind my storage hedge when the cash basis narrows to 25 under July futures, or by the first week of June. If I get to 25 under the July on these bushels, I will end up with a cash price of **$\$3.79\frac{1}{2}$** per bushel ($\$4.04\frac{1}{2}$ July futures - $\$0.25$ basis).



Mid-June, 2008

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Corn: **Execution** of the 2007 Post-Harvest Marketing Plan

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June 6, 2008: I've been waiting since harvest for the corn basis to narrow to 25 cents under the July, but it never happened. Today I will set the basis on all my HTA contracts at **40** cents under the July contract (today's market: Jul'08 trading at **\$6.51**, local cash price at **\$6.11**).

Final price on 65,000 bushels pre-harvest priced: \$3.835 July futures less \$0.40 basis = \$3.435.
(**\$3.835 July futures already takes into account losses on pre-harvest sales**)

Final price on remaining 20,000 bushels: \$4.045 July futures less \$0.40 basis = \$3.645.

Summary of the 2007 Corn Crop, thru mid-June, 2008:

65,000 bushels sold for....	\$3.435
20,000 bushels sold for....	<u>\$3.645</u>
Final average price for 2007 corn	\$3.49