



March, 2006

Grain Marketing

Center for Farm Financial Management

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Corn: 2007 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2007 production: 85,000 bushels (600 acres @ 145 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated corn crop (based on APH) priced by early June.

- Price 10,000 bushels at \$2.10 cash price (\$2.60 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$2.22c/\$2.72f, or by March 15, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$2.34c/\$2.84f, or by April 2, pricing tool tbd.
- Price 15,000 bushels at \$2.46c/\$2.96f, or by April 17, pricing tool tbd.
- Price 10,000 bushels at \$2.58c/\$3.08f, or by May 2, pricing tool tbd.
- Price the last 10,000 bushels at \$2.70c/\$3.20f, or by June 1, pricing tool tbd.

Plan starts on **January 1, 2007**. Earlier sales will be made at a 20 cent premium to price targets noted above.

Ignore decision dates and make no sale if prices are lower than \$2.10 local cash price/\$2.60 December futures.

Exit all options positions by mid-September.



June 13, 2007

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Corn: Execution of the 2007 Pre-Harvest Marketing Plan

by Ed Usset

Objective: Buy crop insurance to protect my production risk, and have 75% of my anticipated corn crop (based on APH) priced by early June.

- Price 10,000 bushels at \$2.10 cash price (\$2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract.
Futures fixed on March 24, 2006 @ \$2.71 Dec'07 futures
- Price 10,000 bushels at \$2.22c/\$2.62f, or by March 15, pricing tool to be determined ("tbd").
Futures fixed on April 7, 2006 @ \$2.88¼ Dec'07 futures
- Price 10,000 bushels at \$2.34c/\$2.74f, or by April 2, pricing tool tbd.
Futures fixed on April 28, 2006 @ \$2.95½ Dec'07 futures
- Price 15,000 bushels at \$2.46c/\$2.96f, or by April 17, pricing tool tbd.
Sale deferred early Jan/HTA on Feb 16, 2007 @ \$4.13¼ Dec'07 futures
- Price 10,000 bushels at \$2.58c/\$3.08f, or by May 2, pricing tool tbd.
HTA on 5,000 bu. on Feb 16 @ \$4.13¼ / HTA on 5,000 bu. on May 2 @ \$3.80¼
- Price the last 10,000 bushels at \$2.70c/\$3.20f, or by June 1, pricing tool tbd.
HTA on 10,000 bu. on June 1 @ \$3.83 Dec'07 futures



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March, 2006: My pre-harvest marketing plan for 2007 is posted, more than 18 months prior to harvest.

March 24 – April 28, 2006: I make my first three sales based on prices well above my price objectives and an early sale premium. I am now 35% sold for the 2007 crop, at an average price of \$2.86 Dec'07 futures. I will not make any more 2007 sales for at least another 6 months. As always, I am reluctant to get more than 1/3 sold on any crop more than one year in advance of harvest.

August 31, 2006: Prices have trended lower over the past few months, and below my minimum pricing objectives. It's a good time to make some overdue changes to my plan. First, I raised my minimum pricing objective from \$2.50 to \$2.60 December corn futures. Costs of production have been rising and I need to get closer to new realities in production. Second, I pushed back my start date from November 1 to January 1, 2007. I see no reason to be an aggressive seller of 2007 new crop during the harvest of 2006, should prices rise in the months ahead.

January 19, 2007: Like everyone else in this market, I have watched in awe as corn futures have rallied higher over the past four months. I reached my last three pricing objectives before January 1 but I am reluctant to sell into a market with such strong momentum. I have decided to defer sales to my decision dates (April 17, May 2, and June 1). This move is not without precedent: I used the same ploy in pre-harvest sales of soybeans in the first half of 2004. Clearly I am taking a risk and hoping for even higher prices in the spring.

February 16, 2007: The opportunity to sell \$4 new crop December corn is too good to resist. I choose to price 20,000 of my remaining 35,000 bushels now, while leaving the last two sales to decision dates of May 2 and June 1.

May 2, 2007: In January I deferred 10,000 bushels of sales to the May 2 decision date. 5,000 bushels were priced on February 16 (I couldn't resist \$4 corn) – the remaining 5,000 bushels is priced today at \$3.80 ¼ Dec'07 corn.

June 1, 2007: In January I deferred 10,000 bushels of sales to the June 1 decision date. The decision date is here and I will price my remaining 10,000 bushels at \$3.83 Dec'07.

I am 75% sold on my 2007 crop at an average December futures price of \$3.47, or a cash price of about \$3.00 per bushel.