



November 6, 2009

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2009 Post-Harvest Marketing Plan

by Ed Usset

Expected 2009 production: 90,000 bushels (600 acres @ 150 bushels per)

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2010.

65,000 bushels priced @ \$5.03 (average of 7 pre-harvest sales) with futures sales of the December contract (November 6 close @ 3.67): Place in storage and sell the carry by rolling the December hedges forward to the July contract (closed at \$3.99½ on November 6). The harvest basis is 73½ under the July (\$3.26 cash price at harvest - \$3.99½ futures), but I expect it to reach 35 cents under July by next spring. Exit plan: Unwind my storage hedge when the cash basis narrows to 35 under July futures, or by the first week of June. If I reach 35 under the July on these bushels, I will end up with a cash price of **\$5.00½** per bushel (\$3.99½ July futures - \$0.35 basis + \$1.36 gain on the early sales of December futures).

25,000 bushels: Place in storage and sell the carry with a sale of July futures. Exit plan: Unwind my storage hedge when the cash basis narrows to 35 under July futures, or by the first week of June. If the basis reaches 35 under the July, I will end up with a cash price of **\$3.64½** per bushel (\$3.99½ July futures - \$0.35 basis).



June 4, 2010

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Corn: Execution of the 2009 Post-Harvest Marketing Plan by Ed Usset

November 6, 2009: I sold the carry on every bushel – final results to-be-determined by the basis next spring.

June 4, 2010: I've been waiting a long time for the basis to narrow. At harvest, I chose to store corn and sell the carry with a futures hedge in the July contract. I was hoping for a basis as narrow as 35 cents under the July but no luck. I will unwind my hedges at the current basis of 49 cents under the July contract.

On 65,000 bushels, my original pre-harvest hedge averaged \$5.03 per bushel in the December contract. At harvest, this hedge was rolled forward to the July contract at a 32.5 cent carry. Today, I buy back the July hedges at \$3.40 per bushel and sell cash corn for \$2.91 per bushel. My final price on these bushels will be \$4.86½ (\$5.03 Dec futures + \$0.325 carry to the July contract - \$0.49 basis).

For the last 25,000 bushels, my price will be \$3.50½ per bushel (\$3.995 July futures sold at harvest - \$0.49 basis).

Summary of the 2009 Corn Crop:

65,000 bushels sold for....	\$4.865
25,000 bushels sold for....	<u>\$3.505</u>
Final average price for 2009 corn	\$4.49