



August 21, 2008

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Corn: 2009 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2009 production: 90,000 bushels (600 acres @ 150 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 **\$3.55** cash price (**\$3.95** Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$3.80c/\$4.20f, or by March 11, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$4.05c/\$4.45f, or by April 9, pricing tool tbd.
- Price 5,000 bushels at \$4.30c/\$4.70f, or by April 23, pricing tool tbd.
- Price 10,000 bushels at \$4.55c/\$4.95f, or by May 9, pricing tool tbd.
- Price 10,000 bushels at \$4.80c/\$5.20f, or by May 23, pricing tool tbd.
- Price the last 10,000 bushels at \$5.05c/\$5.45f, or by June 7, pricing tool tbd.

Plan starts on January 1, 2009. Earlier sales will be made at a 30 cent premium to price targets noted above and will be limited to 35,000 bushels.

Ignore decision dates and make no sale if prices are lower than **\$3.55** local cash price/**\$3.95** December futures (*revised 30 cents lower on March 16, 2009*).

Exit all options positions by mid-September, 2009.



June 8, 2009

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Corn: Execution of the 2009 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 \$3.85 cash price (\$4.25 Dec. futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on August 21, 2008 @ \$6.45½ Dec'09 futures**
- Price 10,000 bushels at \$4.10c/4.50f, or by March 11, pricing tool to be determined ("tbd").
Futures sale on August 21 @ \$6.45½ Dec'09 futures
- Price 10,000 bushels at \$4.35c/4.75f, or by April 9, pricing tool tbd.
Futures sale on April 9 @ \$4.21¾ Dec'09 futures
- Price 5,000 bushels at \$4.60c/5.00f, or by April 23, pricing tool tbd.
Futures sale on April 23 @ \$4.11½ Dec'09 futures
- Price 10,000 bushels at \$4.85c/5.25f, or by May 9, pricing tool tbd.
Futures sale on May 8 @ \$4.39¾ Dec'09 futures
- Price 10,000 bushels at \$5.10c/\$5.50f, or by May 23, pricing tool tbd.
Futures sale on May 22 @ \$4.52 Dec'09 futures
- Price the last 10,000 bushels at \$5.35c/\$5.75f, or by June 7, pricing tool tbd.
Futures sale on June 8 @ \$4.58 Dec'09 futures



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

August 21, 2007: I have successfully dragged my feet long enough. There are outstanding pricing opportunities in the corn market. I'm going to call my broker and sell 4 contracts of Dec'09 corn futures (20,000 bushels) at \$6.455, representing ~20% of my expected production. I am willing to make a few more early sales before year-end, but I am happy to spread out my decisions over a period of time.

March 16, 2009: I am concerned about my minimum price levels, originally written during a frothy time last August. I lowered all of my price objectives by 30 cents per bushel – I am very concerned about not getting enough pre-harvest sales made because my minimum price was too high.

April 9, 2009: Decision time for another new crop sale is here, based on a date. Dec'09 futures are above my minimum price objective so I will sell two more December futures contracts at \$4.2175.

April 23, 2009: A decision date says it is time to make my next new crop sale - Dec'09 futures are above my revised minimum price objective of \$3.95 per bushel. One more December futures contract is sold at \$4.115.

May 8, 2009: Another decision date and one more sale; two contracts of December futures contract sold at \$4.3975.

May 22, 2009: Another decision date and another sale; two contracts of December futures contract sold at \$4.52.

June 8, 2009: The last decision date and last planned pre-harvest sale; two contracts of December futures contract sold at \$4.58.

I am 75% sold on my 2009 crop at an average Dec'09 futures price of \$5.03 or a cash price of about \$4.55 per bushel.