



October 20, 2005

Grain Marketing

Center for Farm Financial Management

University of Minnesota

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Corn: 2005 Post-Harvest Marketing Plan

by Ed Usset

Expected 2005 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, 2006.

65,000 bushels priced @ \$2.60 (average of 6 pre-harvest sales) with futures fixed in the December contract (October 20 close @ 2.02³/₄): Take a 46 cent LDP, place in storage and sell the carry by rolling the December hedges forward to the July contract (closed at \$2.30³/₄ on October 21). The harvest basis is 91 under the July (\$1.40 cash - \$2.31 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 36 under July futures, or by the first week of June. If I reach 36 under the July on these bushels, I will end up with a cash price of \$2.98 per bushel. That's \$1.95 for the corn (\$2.31 July futures - \$0.36 basis), plus a 57 cent profit on the Dec contract (sold @ \$2.60 average, rolled forward at \$2.03), plus a 46 cent LDP.

19,000 bushels: Take a 46 cent LDP, 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 36 under July futures, or by the first week of June. If I get to 36 under the July on these bushels, I will end up with a cash price of \$2.41 per bushel. That's \$1.95 for the corn (\$2.31 July futures - \$0.36 basis), plus a 46 cent LDP.



June 2, 2006

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Corn: Execution of the 2005 Post-Harvest Marketing Plan

by Ed Usset

June 2, 2006: I've been waiting since harvest for the corn basis to narrow to a respectable number. At harvest I had a wild hope of a basis close to or exceeding 40 cents under the July. Today I will set the basis on all my HTA contracts at 57 cents under the July contract (today's market: Jul'06 trading at \$2.60, local cash price at \$2.03).

Final price on 65,000 bushels pre-harvest priced: \$2.31 July futures less \$0.57 basis plus \$0.57 gain from pre-harvest marketing plus \$0.46 LDP = \$2.77.

Final price on remaining 19,000 bushels: \$2.31 July futures less \$0.57 basis plus \$0.46 LDP = \$2.20.

Summary of the 2005 Corn Crop, thru June 2, 2006:

65,000 bushels sold for....	\$2.77
19,000 bushels sold for....	<u>\$2.20</u>
Final average price for 2005 corn	\$2.64