September 28, 2005

Grain Marketing

Center for Farm Financial Management
University of Minnesota
www.cffm.umn.edu/grain

Corn: 2006 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2006 production: 85,000 bushels (600 acres @ 142 bushels per)

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

- Price 10,000 bushels at $2.10 cash price ($2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at $2.22c/$2.62f, or by March 29, pricing tool to be determined ("tbd").
- Price 10,000 bushels at $2.34c/$2.74f, or by April 7, pricing tool tbd.
- Price 15,000 bushels at $2.46c/$2.86f, or by April 27, pricing tool tbd.
- Price 10,000 bushels at $2.58c/$3.08f, or by May 13, pricing tool tbd.
- Price the last 10,000 bushels at $2.70c/$3.10f, or by May 27, pricing tool tbd.

Plan starts on November 1, 2005. Earlier sales will be made at a 15 cent premium to price targets noted above.
Ignore decision dates and make no sale if prices are lower than $2.10 local cash price/$2.50 December futures. I will "revisit" my minimum price selection in February, 2006.
Exit all options positions by mid-September.

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May 1, 2006

Corn: Execution of the 2006 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 late May.

- Price 10,000 bushels at $2.10 cash price ($2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract.
  Futures fixed on January 3 @ $2.51½ Dec futures
- Price 10,000 bushels at $2.22c/$2.62f, or by March 29, using some form of fixed-price contract.
  Futures fixed on February 24 @ $2.64¼ Dec futures
- Price 10,000 bushels at $2.34c/$2.74f, or by April 7, using some form of fixed-price contract.
  Futures fixed on April 7 @ $2.74½ Dec futures
- Price 15,000 bushels at $2.46c/$2.86f, or by April 27, consider options or a trend system.
  Futures fixed on April 27 @ $2.66 Dec futures
- Price 10,000 bushels at $2.58c/$2.98f, or by May 13, consider options or a trend system.
  Futures fixed on May 12 @ $2.81¾ Dec futures
- Price the last 10,000 bushels at $2.70c/$3.10f, or by May 27, consider options or a trend system.
  Futures fixed on May 26 @ $2.79 Dec futures

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May 30, 2006

Corn: Execution of the 2006 Pre-Harvest Marketing Plan

by Ed Usset

January 3, 2006: It has taken months but new crop futures finally climb above my initial pricing objective of $2.50 in the December contract. I will use a futures fixed contract to lock in the December futures at $2.51½ and price 10,000 bushels (about 10% of my crop).

February 24, 2006: December futures closed at $2.64¼, above my second pricing objective of $2.62 per bushel. I will use a futures fixed contract to price another 10,000 bushels.

April 7, 2006: By sheer coincidence, I reach my next pricing objective on my decision date. I will use an HTA contract at $2.74½ in December futures to price another 10,000 bushels.

April 27, 2006: My next decision date is here and prices are above my minimum pricing objective. I will use an HTA contract at $2.66 in December futures to price another 15,000 bushels.

May 12, 2006: Another decision date - I use an HTA contract at $2.81¾ in December futures to price another 10,000 bushels.

May 26, 2006: My last decision date is reached and I use an HTA contract at $2.79 in December futures to price another 10,000 bushels.

I am 75% sold on my 2006 crop at an average December futures price of $2.69, or a cash price of about $2.10-2.20 per bushel.