



June 8, 2009 (revised April 30, 2010)

Grain Marketing

Center for Farm Financial Management
University of Minnesota

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Corn: 2010 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2010 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 \$3.65 cash price (\$4.05 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$3.90c/\$4.30f, or by March 29, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$4.15c/\$4.55f, or by April 14, pricing tool tbd.
- Price 5,000 bushels at \$4.40c/\$4.80f, or by April 28, pricing tool tbd.
- Price 10,000 bushels at \$4.65c/\$5.15f, or by May 13, pricing tool tbd.
- Price 10,000 bushels at \$4.90c/\$5.30f, or by May 27, pricing tool tbd.
- Price the last 10,000 bushels at \$5.15c/\$5.55f, or by June 10, pricing tool tbd.

Plan starts on January 1, 2010. Earlier sales will be made at a 25 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 ~~\$3.65~~ **\$3.50** local cash price/~~\$4.05~~ **\$3.90** December futures.

Exit all options positions by mid-September, 2010.



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Corn: Execution of the 2010 Pre-Harvest Marketing Plan

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- Price 10,000 bushels at \$3.65 cash price (\$4.05 Dec. futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on June 8, 2009 @ \$4.55½ Dec'10 futures**
- Price 10,000 bushels at \$3.90c/4.30f, or by March 29, pricing tool to be determined.
Futures sale on June 8 @ \$4.55½ Dec'10 futures
- Price 10,000 bushels at \$4.15c/4.55f, or by April 14, pricing tool tbd.
Futures sale on April 30 @ \$3.92¼ Dec'10 futures
- Price 5,000 bushels at \$4.40c/4.80f, or by April 28, pricing tool tbd.
Futures sale on April 30 @ \$3.92¼ Dec'10 futures
- Price 10,000 bushels at \$4.65c/5.05f, or by May 13, pricing tool tbd.
Futures sale on May 26 @ \$3.90¾ Dec'10 futures
- Price 10,000 bushels at \$4.90c/\$5.30f, or by May 27, pricing tool tbd.
Futures sale on May 27 @ \$3.93½ Dec'10 future
- Price the last 10,000 bushels at \$5.15c/\$5.55f, or by June 10, pricing tool tbd.
Futures sale on July 8 @ \$3.96¼ Dec'10 future



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June 8, 2009: I did a little “inlook,” an examination of my projected production costs in 2010 and concluded that \$4.55 Dec’10 corn futures is a good place to start.

April 30, 2010: This has been an atypical year since the start of the new year. Instead of enjoying a spring rally in prices, new crop grain futures broke in early January and have trended lower since then. Despite a torrid pace in planting progress, market prices showed some life this week and presented me with a choice. What will hurt worse; (1) leaving my minimum price objective at \$4.05 Dec’10 futures and NOT getting any more corn priced before harvest or, (2) lowering my minimum price to \$3.90 per bushel and learning that I sold 15 cents cheaper than I should have? I’ve decided that the first alternative is more painful (and looks stubborn – stubborn is not a positive marketing trait).

May 26 & 27: New crop corn futures continue to trade in a range of \$3.70-3.95 per bushel. A couple of days at the higher end of the range give me a chance to keep my marketing efforts current.

July 8: Just 9 days after closing at \$3.44 per bushel, Dec’10 futures are on a tear and close back above my (revised) minimum price of \$3.90. I thought about following the trend but my own sense is that this is the type of year when I want to sell rallies, and not get carried away with the bullish sentiment of the moment. Then again, if the rally continues, I still have 25% of the 2010 crop to price and I have yet to start on 2011.

I am 75% sold on my 2010 crop at an average Dec’10 futures price of \$4.12 or a cash price of about \$3.65 per bushel.