Expected 2001 production: 84,000 bushels (600 acres @ 140 bushels per)

Objective: Buy crop insurance to protect my production risk, and have 70% of my anticipated corn crop priced by mid-June.

- Price 10% of anticipated corn production (8,400 bu.) at $2.50 (Dec corn) using forward contract/futures hedge/futures fixed contract.
- Price another 10% at $2.60, or by 4/1, using some form of forward contract.
- Price another 10% at $2.70, or by 4/20, using put options/"fence"/minimum price contract (hang on to the upside potential).
- Price another 10% at $2.80, or by 5/1, using some form of forward contract.
- Price another 10% at $2.90, or by 5/20, using some form of min. price contract.
- Price my last 10% at $3.00, or by 6/1, using some form of min. price contract.

I choose to ignore decision dates if prices are lower than $2.50 December futures.
Objective: Buy crop insurance to protect my production risk, and have 70% of my anticipated corn crop priced by mid-June.

- Price 10% of anticipated corn production (8,400 bu.) at $2.50 (Dec corn) using forward contract/futures hedge/futures fixed contract. Futures fixed on 11/2 @ $2.50 Dec futures
- Price another 10% at $2.60, or by 4/1, using some form of forward contract. Price objective of $2.60 met on 12/28, follow the moving average Moving average turns lower, use futures fixed on 1/18 @ $2.53½ Dec futures
- Price another 10% at $2.70, or by 4/20, using put options/"fence"/minimum price contract (hang on to the upside potential). No action - prices below my minimum
- Price another 10% at $2.80, or by 5/1, using some form of forward contract. No action - prices below my minimum
- Price another 10% at $2.90, or by 5/20, using some form of min. price contract. No action - prices below my minimum
- Price another 10% at $3.00, or by 6/1, using some form of min. price contract. No action - prices below my minimum
- Price my last 10% at $3.10, or by 6/20, using some form of min. price contract. No action - prices below my minimum
Corn: Execution of the 2001 Pre-Harvest Marketing Plan
by Ed Usset

November 2, 2000: After months of trading at lower levels, December corn futures finally reach the $2.50 mark. I decide to use a hedge-to-arrive contract to establish a new crop corn price of $1.95 (assumes an expected harvest basis of 55 under December futures).

December 28, 2000: December corn futures reach the $2.60 level. My price objective has been met, so this part of my plan is “in play”. But the price trend, as measured by the 7/10 day moving average, is higher. I pass on the opportunity, choosing to make this sale when the trend turns down!

January 18, 2001: Following the January 11 crop report, the market weakens and the price trend, as measured by a crossover of the 7/10 day averages, turns lower on the close of January 17. I decide to establish a price based on the futures opening of January 18, and I execute a hedge-to-arrive with my local elevator at $2.53 ½ (December corn futures). This action effectively establishes a new crop corn price of $1.98½ (again assuming an expected harvest basis of 55 under).

Contrary to the “average” year, December corn generally trended lower from January through May. The last time December corn reached $2.50 was on March 6, 2001. Only two sales, representing just 20% of my anticipated production were sold before harvest. A rally in early July pushed December corn only to $2.46.