Expected 2002 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 10,000 bushels at $2.00 cash price ($2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at $2.12, or by March 30, using some form of forward contract.
- Price 10,000 bushels at $2.24, or by April 20, using some form of forward contract.
- Price 10,000 bushels at $2.36, or by May 10, consider options or a trend system.
- Price 10,000 bushels at $2.48, or by May 30, consider options or a trend system.
- Price the last 10,000 bushels at $2.60, or by June 20, consider options or a trend system.

Ignore decision dates and make no sale if prices are lower than $2.00 local cash price/$2.50 December futures.
Exit all options positions by mid-September.
Objective: Buy crop insurance to protect my production risk, and have 70% of my anticipated corn crop priced by mid-June.

- Price 10,000 bushels at $2.00 cash price ($2.50 Dec. futures) using forward contract/futures hedge/futures fixed contract. Futures fixed on July 1 @ $2.50 futures
- Price 10,000 bushels at $2.12, or by March 18, using some form of forward contract. Futures fixed on July 1 @ $2.50 futures
- Price 10,000 bushels at $2.24, or by April 16, using some form of forward contract. Futures fixed on July 1 @ $2.50 futures
- Price 10,000 bushels at $2.36, or by April 30, consider options or a trend system. Used moving average starting July 1 - Futures fixed on July 22 @ $2.56 futures
- Price 10,000 bushels at $2.48, or by May 16, consider options or a trend system. Used moving average starting July 1 - Futures fixed on July 22 @ $2.56 futures
- Price the last 10,000 bushels at $2.60, or by May 30, consider options or a trend system. Used moving average starting July 1 - Futures fixed on July 22 @ $2.56 futures
Corn: Execution of the 2002 Pre-Harvest Marketing Plan
by Ed Usset

November 1, 2001 through June 30, 2002: The futures and cash corn markets have traded below my minimum pricing thresholds since last fall when this pre-harvest plan became active. Decision dates in March, April, May and June were all ignored as prices remained below the loan rate. I have 60,000 bushels to price to complete my pre-harvest marketing objective.

July 1, 2002: Today, December corn futures finally reach the $2.50 per bushel mark, as markets continue to react to hot and dry conditions in much of the corn belt. Now that I’ve reached my minimum pricing target, is it wise to price all 60,000 bushels at once? I think not (this higher market could persist), so here is my compromise. I will sell 30,000 bushels at my minimum pricing objective, and use a moving average of futures prices to determine the timing of the sale of another 30,000 bushels. To price 30,000 bushels, I use a hedge-to-arrive contract at $2.50 per bushel December corn to establish a new crop corn price of $2.00 (assumes an expected harvest basis of 50 under December futures).

July 11, 2002: With December corn futures closing at $2.33¾, the moving average has turned lower, but because the price is below my $2.50 minimum, I will not make a sale. I will wait in hope of a return to the $2.50 level to make another sale.

July 22, 2002: December corn futures are sharply higher and close at $2.56 per bushel. The moving average is not signaling the return to a higher trend, so I choose to complete my pre-harvest selling of corn by pricing the remaining 30,000 bushels at $2.56 using an HTA contract with my local elevator.