Corn: 2003 Post-Harvest Marketing Plan
by Ed Usset

Expected 2003 production: 84,000 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, 2004.

- 15,000 bushels priced @ $2.01 with a forward contract: collect 5 cent LDP and deliver.
- 35,000 bushels priced @ ~$2.46 with futures fixed in Dec contract: collect a 5 cent LDP, place in storage and roll hedge forward to July contract. The harvest basis is 36 under the Dec ($1.80 cash - $2.16 futures) and 53 under the July ($1.80 cash - $2.33 futures). I hope to sell this grain by next spring at 22 under the July. If I get this done, I will end up with a cash price of $2.46 per bushel. That's $2.11 for the corn ($2.33 futures - $0.22 basis) plus a 5 cents LDP plus a 30 cent profit on the December contract (sold @ $2.46 in the spring, rolled forward at $2.16).
- 34,000 bushels remaining: collect LDP, take out loan and place in on-farm storage for later sale.

Exit plan: I will unwind my storage hedge when the cash basis reaches 22 under the July futures contract or by the first week of June. For other bushels in storage, the loan rate of $1.84 is my downside protection. Sell 12,000 bushels @ $2.20, 11,000 @ $2.35, and the last 11,000 @ $2.50. Bushels unsold at the end of April will be sold in equal increments in May and June.
Objective: Seek strategies that offer a price higher than the loan rate. Hold no unpriced corn beyond July 1, 2004.

- 15,000 bushels priced @ $2.01 with a forward contract: collect 5 cent LDP and deliver. Final price of $2.01 + $.05 LDP = $2.06

- 35,000 bushels priced @ ~$2.46 with futures fixed in Dec contract: collect a 5 cent LDP, place in storage and roll hedge forward to July contract. Basis objective of 22 under the July was met on April 23, 2004. Cash market trading at $2.87, July futures at $3.09. Basis locked on HTA contracts. Final price on these bushels: $2.46 ($2.33 futures - $0.22 basis + $0.05 LDP + $0.30 profit on December contract)

- 34,000 bushels remaining: collect LDP, take out loan and place in on-farm storage for later sale. Sold 12,000 bushels at $2.20 on November 28, another 11,000 bushels at $2.35 on January 13, and the final 11,000 at $2.50 on January 23, 2004.

Exit plan: I will unwind my storage hedge when the cash basis reaches 22 under the July futures contract or by the first week of June. For other bushels in storage, the loan rate of $1.84 is my downside protection. Sell 12,000 bushels @ $2.20, 11,000 @ $2.35, and the last 11,000 @ $2.50. Bushels unsold at the end of April will be sold in equal increments in May and June.

**Weighted average sales price on my 2003 corn crop:** $2.34