Expected 2007 production: 85,000 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, 2008.

65,000 bushels priced @ $3.49¼ (average of 6 pre-harvest sales) with futures fixed in the December contract (October 19 close @ 3.70¼): Place in storage and sell the carry by rolling the December hedges forward to the July contract (closed at $4.04½ on October 19). The 21 cent loss in the December contracts ($3.49¼ sales vs. $3.70¼ market) is taken out of the July contract base in the new HTA – instead of July @ $4.04½, it will be written into my HTA contract at $3.83½. The harvest basis is 79 under the July ($3.26 cash price at harvest - $4.05 futures). Exit plan: Unwind my storage hedge when the cash basis narrows to 25 under July futures, or by the first week of June. If I reach 25 under the July on these bushels, I will end up with a cash price of $3.58½ per bushel ($3.83½ July futures - $0.25 basis).

20,000 bushels: Place in storage and sell the carry with an HTA on the July contract. Exit plan: Unwind my storage hedge when the cash basis narrows to 25 under July futures, or by the first week of June. If I get to 25 under the July on these bushels, I will end up with a cash price of $3.79½ per bushel ($4.04½ July futures - $0.25 basis).
June 6, 2008: I’ve been waiting since harvest for the corn basis to narrow to 25 cents under the July, but it never happened. Today I will set the basis on all my HTA contracts at 40 cents under the July contract (today’s market: Jul’08 trading at $6.51, local cash price at $6.11).

Final price on 65,000 bushels pre-harvest priced: $3.835 July futures less $0.40 basis = $3.435. ($3.835 July futures already takes into account losses on pre-harvest sales)

Final price on remaining 20,000 bushels: $4.045 July futures less $0.40 basis = $3.645.

Summary of the 2007 Corn Crop, thru mid-June, 2008:

- 65,000 bushels sold for: $3.435
- 20,000 bushels sold for: $3.645
- Final average price for 2007 corn: $3.49