March 21, 2007

Corn: 2008 Pre-Harvest Marketing Plan
by Ed Usset

Expected 2008 production: 89,000 bushels (600 acres @ 148 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 $2.60 cash price ($3.00 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at $2.75c/$3.15f, or by March 7, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at $2.90c/$3.30f, or by April 4, pricing tool tbd.
- Price 5,000 bushels at $3.05c/$3.45f, or by April 18, pricing tool tbd.
- Price 10,000 bushels at $3.20c/$3.60f, or by May 5, pricing tool tbd.
- Price 10,000 bushels at $3.35c/$3.75f, or by May 19, pricing tool tbd.
- Price the last 10,000 bushels at $3.50c/$3.90f, or by June 3, pricing tool tbd.

Plan starts on January 1, 2008. Earlier sales will be made at a 30 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 $2.60 local cash price/$3.00 December futures.
Exit all options futures positions by mid-September, 2008.
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 $2.60 cash price ($3.00 Dec. futures) using forward contract/futures hedge/futures fixed contract. Futures sale on March 21, 2007 @ $3.99 Dec’08 futures
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- Price 10,000 bushels at $3.20c/$3.60f, or by May 5, pricing tool tbd. Futures sale on January 2, 2008 @ $4.69¾ Dec’08 futures
- Price 10,000 bushels at $3.35c/$3.75f, or by May 19, pricing tool tbd. Futures sale on May 19 @ $6.13 Dec’08 futures
- Price the last 10,000 bushels at $3.40c/$3.90f, or by June 3, pricing tool tbd. Futures sale on June 3 @ $6.36¼ Dec’08 futures
March 21, 2007: Outstanding pricing opportunities are present in all grain markets. I’m going to call my broker and sell 7 contracts of Dec’08 corn futures (35,000 bushels) at $3.99, representing ~35% of my expected 2008 production. This will establish a new crop 2008 cash corn price of about $3.60 per bushel, assuming a harvest basis of 40 cents under December futures. I am reluctant to price any more corn more than 9 months prior to harvest, so don’t expect any more actions until January 1, 2008.

October 8, 2007: I raised my minimum price objective (and all other price objectives) another 20 cents per bushel.

January 2, 2008: I sold 2 more contracts of Dec’08 corn futures (10,000 bushels) at $4.6975. I choose to defer my last two sales until I reach the decision dates later in the spring.

May 19 and June 3, 2008: I made my final pre-harvest sales for 2008, selling 2 contracts of December futures at $6.13 and 2 more at $6.3625 per bushel.

I am 70% sold on my 2008 crop at an average Dec’08 futures price of $4.79 or a cash price of about $4.30 per bushel.