



October 15, 2010

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2010 Post-Harvest Marketing Plan

by Ed Usset

Expected 2010 production: 90,000 bushels (600 acres @ 150 bushels per)

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2011.

10,000 bushels: Price and deliver at the harvest price of \$4.79.

65,000 bushels priced @ \$4.12 (average of 7 pre-harvest sales) with futures sales of the December contract (October 15 close @ 5.63): Place in storage and sell the carry by rolling the December hedges forward to the July contract (closed at \$5.82½ on October 15). The harvest basis is 106 under the July (\$4.77 cash price at harvest - \$5.83 futures), but I expect it to reach 30 cents under July by next spring. Exit plan: Unwind my storage hedge when the cash basis narrows to 30 under July futures, or by the first week of June. If I reach 30 under the July on these bushels, I will receive a cash price of \$4.01½ per bushel (\$5.82½ July futures - \$0.30 basis - \$1.51 loss on the early sales of December futures).

15,000 bushels: Place in storage and sell the carry with a sale of July futures. Exit plan: Unwind my storage hedge when the cash basis narrows to 30 under July futures, or by the first week of June. If the basis reaches 30 under the July, I will receive a cash price of \$5.52½ per bushel (\$5.82½ July futures - \$0.30 basis).



June 3, 2011

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Corn: Execution of the 2010 Post-Harvest Marketing Plan

by Ed Usset

October 15, 2010: I sold 10,000 bushels at harvest @ \$4.77, due to a lack of storage. All other bushels were put in storage and I sold the carry. I anticipate a very strong basis by next spring, based on strong demand and decreasing corn stocks.

June 3, 2011: Hindsight says I should not have hedged with July sales, but I did and the time has come to unwind the hedges. My original aim was for the July basis to narrow to 30 cents under. - the market reached 33 under on June 3 (\$7.21 cash price - \$7.54 July futures). My final price on 65,000 bushels will be \$3.98½. My final price on the remaining 15,000 bushels will be \$5.49½.

Summary of the 2010 Corn Crop:

10,000 bushels sold for....

\$4.77

65,000 bushels sold for....

\$3.98½

15,000 bushels sold for....

\$5.49½

Final average price for 2010 corn

\$4.32½