



October 14, 2011

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2011 Post-Harvest Marketing Plan

by Ed Usset

Expected 2011 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, 2012.

15,000 bushels: Price and deliver at the harvest price of \$5.98.

65,000 bushels priced @ \$5.38 (average of 7 pre-harvest sales) with futures sales of the December contract (October 14 close @ 6.40): Place in storage and sell the carry by rolling the December hedges forward to the May contract (closed at \$6.58³/₄ on October 14). The harvest basis is 61 under the May (\$5.98 cash price at harvest - \$6.58³/₄ futures), but I am a basis bull and I expect it to reach 20-30 cents under May by early spring. Exit plan: Unwind my storage hedge when the cash basis narrows to 20 under May futures, or by the last week of April. I may also consider rolling the hedge forward to the July contract, if the carry is adequate and prospects for an even stronger basis exist. If I reach 20 under the May on these bushels, I will receive a cash price of \$5.37 per bushel (\$6.58³/₄ May futures - \$0.20 basis - \$1.02 loss on the early sales of December futures).

10,000 bushels: Place in storage and sell the carry with a sale of May futures. Exit plan: Unwind my storage hedge when the cash basis narrows to 20 under the May, or by the last week of April. If basis reaches 20 under the May, the cash price will be \$6.39 per bushel (\$6.58³/₄ May futures - \$0.20 basis).



April 20, 2012

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Corn: Execution of the 2011 Post-Harvest Marketing Plan

by Ed Usset

October 14, 2011: September was a bad month for corn prices, but the first two weeks of October gave us a positive bounce. I'll sell 15,000 bushels at harvest (\$5.98) and take advantage of the bounce. Carrying charges are adequate but I am a basis bull - I anticipate a very strong basis by next spring (even stronger than 2011). I intend to play it conservative with a storage hedge on the balance. I view the 70% of the 2012 crop that is not yet priced as my upside potential.

April 20, 2012: Being a basis bull has paid off. The basis narrowed to 21 cents under the May, just 1 cent less than anticipated. It's time to call my broker and buy back May futures at \$6.13/bu. and sell cash corn for \$5.92/bu.

Summary of the 2011 Corn Crop:

15,000 bushels sold for....	\$5.98
65,000 bushels sold for....	\$5.35 ³ / ₄
10,000 bushels sold for....	<u>\$6.37³/₄</u>
Final average price for 2011 corn	\$5.57