



July 16, 2010 (revised November 9, 2010)

Grain Marketing

Center for Farm Financial Management
University of Minnesota

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Corn: 2011 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2011 production: 90,000 bushels (600 acres @ 150 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 \$4.00 cash price (\$4.40 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$4.25c/\$4.65f, or by March 18, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$4.50c/\$4.90f, or by April 6, pricing tool tbd.
- Price 5,000 bushels at \$4.75c/\$5.15f, or by April 18, pricing tool tbd.
- Price 10,000 bushels at \$5.00c/\$5.40f, or by May 4, pricing tool tbd.
- Price 10,000 bushels at \$5.25c/\$5.65f, or by May 17, pricing tool tbd.
- Price the last 10,000 bushels at \$5.50c/\$5.90f, or by June 15, pricing tool tbd.

Plan starts on January 1, 2011. Earlier sales will be made at a 25 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 **\$4.00** local cash price/**\$4.40** December futures.

Exit all options positions by mid-September, 2011.



January 3, 2011

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Corn: Execution of the 2011 Pre-Harvest Marketing Plan

by Ed Usset

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 \$3.55 cash price (\$3.95 Dec. futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on July 16, 2010 @ \$4.26½ Dec'11 futures**
- Price 10,000 bushels at \$3.80c/4.20f, or by March 18, pricing tool to be determined. **Futures sale on August 30, 2010 @ \$4.46¾ Dec'11 futures**
- Price 10,000 bushels at \$4.05c/4.45f, or by April 6, pricing tool tbd. **Futures sale on September 15, 2010 @ \$4.71¾ Dec'11 futures**
- Price 5,000 bushels at **\$4.75c/5.15f**, or by April 18, pricing tool tbd. **Futures sale on January 3, 2011 @ \$5.52½ Dec'11 futures**
- Price 10,000 bushels at **\$5.00c/5.40f**, or by May 4, pricing tool tbd. **Futures sale on January 3, 2011 @ \$5.52½ Dec'11 futures**
- Price 10,000 bushels at ~~\$5.25c/\$5.65f~~, or by ~~May 17~~ April 18, pricing tool tbd.
- Price the last 10,000 bushels at ~~\$5.50c/\$5.90f~~, or by ~~June 15~~ May 17, pricing tool tbd.



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July 16, 2010: I did a little “inlook,” an examination of my projected production costs in 2011 and concluded that \$4.25 Dec’11 corn futures is a good place to start.

August 30, 2010: The market continues higher.

September 15, 2010: ...and higher. A note of interest; as Dec’10 futures rose \$1.50 from late June to September, the Dec’11 contract increased less than half that amount. What was a 30 cent carry from Dec’10 to Dec’11 in late June has evolved into a 30 cent inverse. I am now close to my early sale limit.

November 9: It is no secret that fuel and fertilizer prices have been tracking with grain prices and rising rapidly over the last few months. Late last week a colleague put pencil to paper to re-estimate production costs for corn and soybeans in 2011. Yikes! His updated projections for 2011 corn and soybean production costs are 11% higher than projections made last summer – it’s time to revise my plans. It’s no use worrying about earlier sales made (in retrospect) too cheap. The good news remains that most of next year’s crop is not priced and the market is showing pricing opportunities well above these revised and higher production costs.

January 3, 2011: January 1 is my official start date and I think it is time to wade back into the waters. I will price 15,000 bushels with a futures sale of Dec’11 at \$5.52½. Regarding my last two sales, I have decided to (for the moment, anyway) ignore price objectives defer to decision dates in April and May. The market is strong and I am looking for a disciplined way to step aside and let it run. Time will tell if it works.

I am about 50% sold on my 2011 crop at an average Dec’11 futures price of \$4.83 or a cash price of about \$4.25 per bushel.