



July 8, 2011 (revised November 21, 2011)

Grain Marketing

Center for Farm Financial Management
University of Minnesota

www.cffm.umn.edu/publications/grain.aspx

Corn: 2012 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2012 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 \$4.25 cash price (\$4.65 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$4.50c/\$4.90f, or by March 8, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$4.75c/\$5.15f, or by April 6, pricing tool tbd.
- Price 5,000 bushels at \$5.00c/\$5.40f, or by April 20, pricing tool tbd.
- Price 10,000 bushels at \$5.25c/\$5.65f, or by May 4, pricing tool tbd.
- Price 10,000 bushels at \$5.50c/\$5.90f, or by May 18, pricing tool tbd.
- Price the last 10,000 bushels at \$5.75c/\$6.15f, or by June 4, pricing tool tbd.

Plan starts on January 1, 2012. 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 ~~\$4.25~~ **\$4.60** local cash price/~~\$4.65~~ **\$5.10** December futures.

Exit all options positions by mid-September, 2012.



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Corn: Execution of the 2012 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 \$4.25 cash price (\$4.65 Dec. futures) using forward contract/futures hedge/futures fixed contract. **Futures sale on July 8, 2011 @ \$6.14 Dec'12 futures**
- Price 10,000 bushels at \$4.50c/4.90f, or by March 8, pricing tool to be determined. **Futures sale on July 8, 2011 @ \$6.14 Dec'12 futures**
- Price 10,000 bushels at \$4.75c/5.15f, or by April 6, pricing tool tbd. **Futures sale on July 8, 2011 @ \$6.14 Dec'12 futures**
- Price 5,000 bushels at ~~\$5.00c/5.40f~~ **\$5.35c/5.85f**, or by April 20, pricing tool tbd. **Futures sale on Jan 3, 2012 @ \$5.90 Dec'12 futures**
- Price 10,000 bushels at ~~\$5.25c/5.65f~~ **\$5.60c/6.10f**, or by May 4, pricing tool tbd. **Futures sale on May 4, 2012 @ \$5.24¼ Dec'12 futures**
- Price 10,000 bushels at ~~\$5.50c/5.90f~~ **\$5.85c/\$6.35f**, or by May 18, pricing tool tbd. **Futures sale on May 18, 2012 @ \$5.37 Dec'12 futures**
- Price the last 10,000 bushels at ~~\$5.75c/\$6.15f~~ **\$6.10c/\$6.60f**, or by June 4, pricing tool tbd.



May 18, 2012

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Corn: **Execution** of the 2012 Pre-Harvest Marketing Plan by Ed Usset

July 8, 2011: I started talking about the 2012 crop late last winter. I wasn't ready to take the plunge, but the opportunity was on my radar. Why today? I've dawdled long enough – the prospect of delivering cash corn close to \$5.75/bushel in 2012 is a great place to start. If I'm lucky, these first sales will be my worst sales. I sold 6 contracts of Dec'12 corn futures at \$6.14 per bushel.

January 3, 2012: Sold one contract of Dec'12 corn futures at \$5.90 per bushel.

May 4, 2012: Decision date sale of one contract of Dec'12 corn futures at \$5.24¼ per bushel.

May 18, 2012: Another decision date and another sale of one contract of Dec'12 corn futures at \$5.37 per bushel.

I am about 60% sold on my 2012 crop at an average Dec'12 futures price of \$5.82 or a cash price of about \$5.40 per bushel.