October 18, 2013

Corn: 2013 Post-Harvest Marketing Plan
by Ed Usset

2013 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, 2014.

15,000 bushels: Price and deliver at the harvest price of $4.05.

65,000 bushels priced @ $5.70 (average of 7 pre-harvest sales) with futures sales of the December contract (October 18 close @ $4.41½): Place in storage and sell the carry by rolling the December hedges forward to the July contract, trading at $4.69½/bu. The carry from December to July is 28 cents/bu. – very good and a good opportunity to sell the carry. However, the basis piece of the trade is much less appealing. I expect (hope?) a harvest basis of 37 cents under the December contract can be 30 cents under the July by next May or June. Exit plan: Unwind my storage hedge when the cash basis reaches 25 cents under the July contract, or by June 20. If the basis reaches 25 under the July, I will receive a cash price of $5.73 per bushel ($4.69½/ July futures + (-$0.25) basis + $1.28½ gain on the early sales of December futures).

10,000 bushels: Place in storage and hold for higher prices. Sell 5,000 bushels @ $4.50, and the last 5,000 @ $4.85. Risk no more than 55 cents under the harvest price - sell if the cash price falls below $3.50/bu. Bushels unsold at the end of April will be sold in equal increments in May and June.
Corn: Execution of the 2013 Post-Harvest Marketing Plan
by Ed Usset

October 18, 2013: Carrying charges return to the corn market! The carry from December to July is 28 cents/bu. – very good and a good opportunity to sell the carry. However, the basis piece of the trade is much less appealing. I expect (hope?) a harvest basis of 37 cents under the December contract can be 25-30 cents under the July by next May or June.

March 4, 2014: The market has been trading in a tight range since harvest, with cash corn prices meandering between $3.90 and $4.15/bu. from harvest thru mid-February. The market has finally shown some life and popped thru the range, but a weak basis has me casting a wary eye on how far this thing can go. I am going to price my final 10,000 bushels at today's price of $4.35/bu (49 cents under the May contract, at $4.84/bu.). I'm still waiting on a better basis on grain stored and hedged and a higher board is doing me no favors.

Summary of the 2013 Corn Crop:
15,000 bushels sold for.... $4.05
65,000 bushels sold for.... $5.73 (heading towards)
10,000 bushels sold for... $4.35
Average price for 2013 corn $????