Post-Harvest Marketing

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Ed's World blog
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• A premier on-line trading game, features real time cash, futures and options quotes
• Unlike other trading websites, Commodity Challenge highlights marketing decisions and risk management tools (not speculation)
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A typical strategy this fall

“Prices are low - I’m going to store grain and wait for higher prices.”
Seasonal Patterns in the National Average Corn Price

Years when ending stocks increase more than two weeks usage from the previous year (1992, 1994, 1996, 1997, 2004)
The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor. 2014 is tracking closely with the average of crop conditions during the four best years since 1990, as measured by yields vs. trend (9-14% above trend).

Since 1990, the price in May was higher than the previous October in 19 of 24 years.

1990-2012 (all years average)
Seasonal Patterns in the National Average Soybean Price

Years when ending stocks increase more than two weeks usage from the previous year (1990, 98, 2005)

1990-2012 (all years average)

Soybean Conditions, Good to Excellent Ratings, September 7, 2014

Top 10 states in production (2013)
Quiz Time!

In 2014, Iowa, Illinois and Minnesota led the nation in planted soybean acres.

Which state was fourth?

North Dakota farmers planted 6 million acres!

U.S. Soybean Crop Conditions, Selected Years 1990-2014

The crop condition index is based on weekly USDA crop ratings. An index of 500 reflects a crop in excellent condition, 400 is good, 300 is fair, 200 is poor and 100 is very poor.
Seasonal Patterns in North Dakota Spring Wheat Prices, 1990-2013 Crop Years

Seasonal Index (Marketing Year Average = 1.0)

1990-2013 (all years average)

Years when ending stocks increase more than two weeks usage from the previous year (1993, 96, 97, 2001, 08, 09)

Since 1990, the price in March was higher than the previous August in 15 of 24 years.
A better strategy this fall

Sell the carry in the market

Selling the carry in corn

September 3, 2014 closing prices

Place the crop in storage at harvest, and “sell the carry” with futures or HTA contracts, e.g. sell the Jul'15 contract at $3.80/bu.

- Dec. $3.52
- Mar. $3.65
- May $3.73
- Jul. $3.80

basis -0.40? $3.40

Cash $2.92

harvest price @ 60 cents under the Dec
What have we learned?

1. In an average year, odds of a cash price increase after harvest are 75%.

2. Stocks are rising sharply - this is not an average year. Odds of a cash price increase after harvest are 35%.

3. Sell the carry and hope for better opportunities in 2015