



October 24, 2014

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2014 Post-Harvest Marketing Plan

by Ed Usset

2014 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, 2015.

20,000 bushels priced @ \$5.03½ with Dec'14 futures sales (October 24 closes; Dec'14 @ \$3.53, cash price @ 2.98/bu.): set the basis at 55 cents under the December contract and deliver. Final price is 4.48½ (5.03½ futures - 0.55 basis).

70,000 bushels: Place in storage and sell the carry with a sale of the July contract, trading at \$3.82¾/bu. The carry from December to July - 29¾ cents/bu. – is very large and a great opportunity to sell the carry. Basis is also appealing - the basis is currently 55 cents under the December contract, and almost 85 cents under the Jul'15 corn contract. I expect a harvest basis of 85 cents under the July contract to narrow to 30 cents under the July by next May or June. Exit plan: Unwind my storage hedge when the cash basis reaches 30 cents under the July contract, or by June 20. If the basis reaches 30 under the July, I will receive a cash price of \$3.53/bu. (\$3.82¾ July futures + (-\$0.30) basis).



June 10, 2015

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Corn: Execution of the 2014 Post-Harvest Marketing Plan

by Ed Usset

October 24, 2014: The sellers lament in a bear market; "I should have sold more." It was hard to be an aggressive seller before harvest when prices were well below break-even production costs. I hedged 20,000 bushels in the spring, solely as a defensive measure against a total price collapse, which is exactly what we have. I'm playing it conservative by selling the carry and locking in prices that will be less than production costs.

June 10, 2015: I have been waiting patiently for a better basis in the corn market. Two months ago, I had resigned myself to the idea that corn, like soybeans, would not attain a good basis this spring. For reasons unknown, however, the corn basis in southwestern Minnesota strengthened last week and currently stands at 32 cents under the July contract, just 2 cents less than my objective of 30 cents under the July. Today I will set the basis by selling corn to the local market at \$3.25/bu. and buying back July futures at \$3.57¹/₄/bu. My final price is \$3.50¹/₂/bu. (\$3.82³/₄ July futures + (-\$0.32¹/₄ basis).

Summary of the 2014 Corn Crop:

20,000 bushels sold for....

\$4.485

70,000 bushels sold for....

\$3.505

Average price for 2014 corn

\$3.72