



November 18, 2013

Grain Marketing

Center for Farm Financial Management
University of Minnesota

<http://www.cffm.umn.edu/GrainMarketing/marketingplans.aspx>

Corn: 2014 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2014 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 mid-June.

- Price 10,000 bushels at \$4.90 cash price (\$5.40 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$5.30c/\$5.80f, or by March 17, pricing tool to be determined (“tbd”).
- Price 10,000 bushels at \$5.70c/\$6.20f, or by April 15, pricing tool tbd.
- Price 15,000 bushels at \$6.10c/\$6.60f, or by May 14, pricing tool tbd.
- Price 10,000 bushels at \$6.50c/\$7.00f, or by May 28, pricing tool tbd.
- Price the last 10,000 bushels at \$6.90c/\$7.40f, or by June 13, pricing tool tbd.

Plan starts on January 1, 2014. Earlier sales may be made at a 50 cent premium to price targets noted above and would be limited to 30,000 bushels.

Ignore decision dates and make no sale if prices are lower than \$4.90 local cash price/\$5.40 December futures.

Exit all options positions by mid-September, 2014.



April 15, 2014

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Corn: **Execution** of the 2014 Pre-Harvest Marketing Plan

by Ed Usset

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- Price 10,000 bushels at \$4.90 cash price (\$5.40 Dec. futures) using forward contract/futures hedge/futures fixed contract.
Futures sale on April 15, 2014 @ \$5.03¼ Dec'14 contract
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Corn: Execution of the 2014 Pre-Harvest Marketing Plan

by Ed Usset

April 15, 2014: Prices remain below my minimum price objective of \$5.40/bu. Dec'14 corn, and I'm starting to get nervous about the possibility of selling too much corn at \$4/bu. or less by harvest. Why would anyone lock-in a price for corn that is roughly 30-40 cents below production costs? Because 7 months from now, it may be worth 80-100 cents less than production costs. Occasionally, risk management calls for minimizing losses, not maximizing profits. I used the April 15 decision date as an excuse to take action, selling 4 contracts of Dec'14 futures at \$5.03¼ /bu. Let's hope this first sale was too early and too cheap.

I am about 25% sold, at an average price of \$5.03/bu. in the Dec'14 contract.