



October 23, 2015

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2015 Post-Harvest Marketing Plan

by Ed Usset

2015 production: 100,000 bushels (600 acres @ 167 bushels per)

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2016.

20,000 bushels priced @ \$4.31½ with Dec'15 futures sales (October 23 closes; Dec'15 @ \$3.80, cash price @ 3.28/bu.): set the basis at 52 cents under the December contract and deliver. Final price is 3.79½ (4.31½ futures - 0.52 basis).

5,000 bushels priced @ \$4.31½ with Dec'15 futures sales (October 23 closes; Dec'15 @ \$3.80, Jul'16 @ 3.99/bu.): Place in storage and sell the carry with a sale of the July contract at \$3.99/bu. I expect a harvest basis of 71 cents under the July contract to narrow to 40 cents under the July by next May or June. Exit plan: Unwind my storage hedge when the cash basis reaches 40 cents under the July contract, or by June 20. If basis reaches 40 under the July, I will receive a price of \$4.10½/bu. (\$0.515 Dec. futures gain \$3.99 July + (-\$0.40) basis).

75,000 bushels (October 23 cash price @ \$3.28/bu.): Place in storage and hold for higher prices. Exit plan: Sell 25,000 bushels @ \$3.65, 25,000 bushels @ \$3.75 and 25,000 bushels @ \$3.85. Risk no more than 28 cents/bu. under the harvest price - sell if the cash price falls below \$3.00. Bushels unsold at the end of April will be sold in equal increments in May and June.



June 30, 2016

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Corn: Execution of the 2015 Post-Harvest Marketing Plan

by Ed Usset

October 23, 2015: Prices are low enough for me to take a chance on unpriced grain held in storage. Am I confident of a 50 cent rally off the harvest lows into spring? Not particularly. But I am not confident of a very strong basis next spring either. This is a situation with no easy answers.

April 29, 2016: Lofty price targets for unpriced corn in storage have not been met – cash corn prices have traded in a range of \$3.02-3.40/bu. since harvest. I will begin the process of selling 10,000 bushels per week, over the next 8 weeks. The only exception will be the last week of May, when only 5,000 bushels will be sold.

May sales: 10,000 bu. at \$3.25, 10,000 bu. at \$3.38, 10,000 bu. at \$3.44, 5,000 bu. at \$3.66 (all Friday markets).

June 20, 2016: Basis ambitions come up short, but it's time to unwind my storage hedge with the nearby basis at 50 cents under the July contract (\$3.71 cash - \$4.21 July futures). Final price on these 5,000 bushels is \$4.00½/bu. (\$0.515 Dec. futures gain + \$3.99 July + (-\$0.50) basis).

June sales: 10,000 bu. at \$3.71, 10,000 bu. at \$3.73, 10,000 bu. at \$3.88, 10,000 bu. at \$3.36 (all Friday markets).

Summary of the 2015 Corn Crop:

20,000 bushels sold for....	\$3.795
5,000 bushels sold for....	\$4.005
35,000 bushels sold in May for....	\$3.400
40,000 bushels sold in June for....	<u>\$3.670</u>
Average price for 2015 corn	\$3.6175