



# Grain Marketing

## Center for Farm Financial Management

### University of Minnesota

[www.cffm.umn.edu/grain](http://www.cffm.umn.edu/grain)

## Corn: 2016 Post-Harvest Marketing Plan

by Ed Usset

2016 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, 2017.

20,000 bushels priced @ \$4.30 with Dec'16 futures sales (October 14 closes; Dec'16 @ \$3.54½, cash price @ 2.93/bu.): set the basis at 61 cents under the December contract and deliver. Final price is 3.69/bu. (4.30 futures - 0.61 basis).

20,000 bushels priced @ \$4.33 with Dec'16 futures sales (Dec'16 @ \$3.54½, Jul'17 @ 3.76½/bu.): Place in storage and sell the July contract at \$3.765/bu. I expect a harvest basis of 84 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 \$4.15/bu. (\$0.7875 Dec. futures gain + \$3.765 July + (-\$0.40) basis).

30,000 bushels (October 14 cash price @ \$2.93/bu.): Place in storage and sell July futures at \$3.765. 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 \$3.365/bu. (\$3.765 July + (-\$0.40) basis).

30,000 bushels (October 14 cash price @ \$2.93/bu.): Place in storage and hold for higher prices. Exit plan: Sell 10,000 bushels @ \$3.40, 10,000 bushels @ \$3.50 and 10,000 bushels @ \$3.60. Risk no more than 33 cents/bu. under the harvest price - sell if the cash price falls below \$2.60. Bushels unsold at the end of April will be sold in equal increments in May and June.



June 20, 2017

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## Corn: Execution of the 2016 Post-Harvest Marketing Plan

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October 14, 2016: Looking back at pre-harvest sales in June, I repeat the seller's lament in a bear market, "I should have sold more." This year I spread it out by selling the carry on some bushels and taking a chance with unpriced corn in storage.

June 20, 2017: I stored 50,000 bushels and hedged in the July contract. My wait for a 40 cent under July basis proved to be too ambitious. I will set the basis at 62 cents under the July today. On 20,000 bushels, my final price is \$3.93½ bu. (\$0.7875 Dec. futures gain + \$3.765 July + (-\$0.62) basis). On 30,000 bushels, my final price is \$3.14½ bu. (\$3.765 July + (-\$0.62) basis).

May/Jun, 2017: I also stored 30,000 bushels hoping for a flat price rally after harvest. It never happened. Sales of "equal increments" in May and June, ended up being 6,000 bushels every other week (May 5 @\$3.17, May 19 @\$3.21, June 2 @\$3.19, June 16 @\$3.20 and June 30 @\$3.11). Average sales price of \$3.17½.

### Summary of the 2016 Corn Crop:

<b>20,000 bushels sold for....</b>	<b>\$3.69</b>
<b>20,000 bushels sold for....</b>	<b>\$3.9325</b>
<b>30,000 bushels sold for....</b>	<b>\$3.145</b>
<b>30,000 bushels sold for....</b>	<b><u>\$3.175</u></b>
<b>Average price for 2016 corn</b>	<b>\$3.42</b>