



December 23, 2015

Grain Marketing

Center for Farm Financial Management
University of Minnesota

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

Corn: 2016 Pre-Harvest Marketing Plan

by Ed Usset

Expected 2016 production: 100,000 bushels (600 acres @ 167 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 15,000 bushels at \$4.30 cash price (\$4.80 Dec. futures) using forward contract/futures hedge/futures fixed contract.
- Price 10,000 bushels at \$4.60c/\$5.10f, or by March 23, pricing tool to-be-determined (“tbd”).
- Price 15,000 bushels at \$4.90c/\$5.40f, or by April 21, pricing tool tbd.
- Price 10,000 bushels at \$5.20c/\$5.70f, or by May 19, pricing tool tbd.
- Price 15,000 bushels at \$5.50c/\$6.00f, or by June 6, pricing tool tbd.
- Price the last 10,000 bushels at \$5.80c/\$6.30f, or by June 20, pricing tool tbd.

Plan starts on January 1, 2016.

Ignore decision dates and make no sale if prices are lower than \$4.30 local cash price/\$4.80 December futures.

Exit all options positions by mid-September, 2016.



June 20, 2016

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Corn: Execution of the 2016 Pre-Harvest Marketing Plan

by Ed Usset

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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 15,000 bushels at \$4.30 cash price (\$4.80 Dec. futures). **Futures sale on June 6, 2016 @ \$4.30 Dec'16 futures**
- Price 10,000 bushels at \$4.60c/\$5.10f, or by March 23 **Futures sale June 6 @ \$4.30 Dec'16 fut.**
- Price 15,000 bushels at \$4.90c/\$5.40f, or by April 21 **Sold two contracts (10,000 bu.) Dec'16 fut. on June 20 @ \$4.33³/₄.**
- Price 10,000 bushels at \$5.20c/\$5.70f, or by May 19, pricing tool tbd.
- Price 15,000 bushels at \$5.50c/\$6.00f, or by June 6, pricing tool tbd.
- Price the last 10,000 bushels at \$5.80c/\$6.30f, or by June 20, pricing tool tbd.

Plan starts on January 1, 2016.

Ignore decision dates and make no sale if prices are lower than \$4.30 local cash price/\$4.80 December futures.

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Corn: Execution of the 2016 Pre-Harvest Marketing Plan

by Ed Usset

December 23, 2015: Like last year, I write a pre-harvest marketing plan with minimum prices modestly below production costs. The production and sale of grain should be about maximizing profits, but commodity markets can be cruel. When markets are down, it may help to focus on minimizing losses. What I have not written down is my willingness to consider pricing 20-40% before harvest at prices even lower than the minimum price.

June 6, 2016: The corn market is rising – at \$4.30, Dec'16 futures prices are up 65 cents per bushel from its early April low of \$3.65. I don't like pricing corn 20-50 cents below production costs, but I've waited too long for a pricing rally like this. Like my first sale of soybeans in mid-April, let's call this a defensive sale – minimizing losses – with a hope for even better prices ahead.

June 20, 2016: This is a decision date for action in my corn and soybean plans, and I decided some time ago that I would make one last pre-harvest sale of corn on this day, despite the fact that Dec'16 futures are below my minimum pricing objective of \$4.80/bu. I sold two contracts (10,000 bushels) of Dec'16 corn futures at \$4.33³/₄/bu.

2016 status: 35% sold at an average price of \$4.31 Dec'16 futures. This is as much as I am willing to price below my minimum price objective of \$4.80/bu.

