



October 13, 2017

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2017 Post-Harvest Marketing Plan

by Ed Usset

2017 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, 2018.

15,000 bushels priced @ \$4.14³/₄ with Dec'17 futures sales (October 13 closes; Dec'17 @ \$3.52³/₄, cash price @ 2.86/bu.): set the basis at 67 cents under the December contract and deliver. Final price is 3.48/bu. (4.15 futures - 0.67 basis).

5,000 bushels price and deliver at \$2.86/bu. harvest price.

65,000 bushels (October 13 cash price @ \$2.86/bu.): Place in storage and sell July futures at \$3.825. 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 \$3.425/bu. (\$3.825 July + (-\$0.40) basis).

15,000 bushels (October 13 cash price @ \$2.86/bu.): Place in storage and hold for higher prices. Exit plan: Sell 5,000 bushels @ \$3.50, 5,000 bushels @ \$3.60 and 5,000 bushels @ \$3.70. Risk no more than 26 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.



May 25, 2018

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Corn: Execution of the 2017 Post-Harvest Marketing Plan

by Ed Usset

October 13, 2017: 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 a modest amount of unpriced corn in storage.

April 27, 2018: It has been a long, slow climb to \$3.50 cash corn, my first price objective for grain held unpriced. We got it, and I will price and deliver 5,000 bushels at \$3.52/bu.

May 4: The cash market hits \$3.60/bu., my next price objective. Price and deliver another 5,000 bushels at \$3.60/bu.

May 23: The cash market hits \$3.72/bu., two cents better than my \$3.70 price objective. Price and deliver 5,000 bushels at \$3.72/bu.

May 25, 2018: Basis has narrowed to 37 cents under the July contract (cash price at \$3.69, July futures at \$4.06), and it's time to unwind my storage hedge – buy back 13 contracts of July futures and sell cash corn. Final price is \$3.825 July + (-\$0.37) basis = \$3.45½/bu.

Summary of the 2017 Corn Crop:

15,000 bushels sold for....	\$3.48
5,000 bushels sold for....	\$2.86
65,000 bushels sold for....	\$3.455
5,000 bushels sold for....	\$3.52
5,000 bushels sold for....	\$3.60
5,000 bushels sold for....	<u>\$3.72</u>
Average price for 2017 corn	\$3.4525