



October 12, 2018

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2018 Post-Harvest Marketing Plan

by Ed Usset

2018 production: 100,000 bushels

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2019.

20,000 bushels price and deliver at \$3.24/bu. harvest price.

15,000 bushels priced @ \$4.12 $\frac{1}{4}$ with Dec'18 futures sales (October 12 closes; Dec'18 @ \$3.73 $\frac{3}{4}$, cash price @ 3.24/bu.): Place in storage and sell the carry with a sale of the July contract at \$3.97 $\frac{3}{4}$ /bu. I expect a harvest basis of 74 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 **\$3.96 $\frac{1}{4}$ /bu.** [\$3.97 $\frac{3}{4}$ July + (-\$0.40) basis] + \$0.38 $\frac{1}{2}$ Dec. futures gain

25,000 bushels priced @ \$4.26 $\frac{1}{2}$ with Dec'18 futures sales (October 12 closes; Dec'18 @ \$3.73 $\frac{3}{4}$, cash price @ 3.24/bu.): Place in storage and sell the carry with a sale of the July contract at \$3.97 $\frac{3}{4}$ /bu. I expect a harvest basis of 74 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 **\$4.10 $\frac{1}{2}$ /bu.** [\$3.97 $\frac{3}{4}$ July + (-\$0.40) basis] + \$0.52 $\frac{3}{4}$ Dec. futures gain

25,000 bushels (October 12 cash price @ \$3.24/bu.): Place in storage and sell July futures at \$3.97 $\frac{3}{4}$ /bu. 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 **\$3.57 $\frac{3}{4}$ /bu.** /bu. (\$3.97 $\frac{3}{4}$ July + (-\$0.40) basis).

15,000 bushels (October 12 cash price @ \$3.24/bu.): Place in storage and hold for higher prices. Exit plan: Sell 5,000 bushels @ \$3.60, 5,000 bushels @ \$3.70 and 5,000 bushels @ \$3.80. Risk no more than 24 cents/bu. under the harvest price - sell if the price falls below \$3.00. Bushels unsold at the end of April will be sold in equal increments in May and June.



May 28, 2019

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Corn: Execution of the 2018 Post-Harvest Marketing Plan

by Ed Usset

October 12, 2018: As I did a year ago, I repeat the seller's lament in a bear market, "I should have sold more." Selling the carry is an appealing alternative this year. Storage limitations force me to sell 20,000 bushels at harvest.

May 3, 2019: Corn must be difficult to buy because the basis is strong (5 under the July in parts of southern MN). Basis has exceeded my goal of 40 under – I will finish pricing and deliver 65,000 bushels held in storage. On 15,000 bushels, my final price is \$4.02¹/₄/bu. [$\$3.97\frac{3}{4}$ July + (-\$0.34) basis) + \$0.38¹/₂ Dec. futures gain. On 25,000 bushels, my final price is \$4.16¹/₂/bu. [$\$3.97\frac{3}{4}$ July + (-\$0.34) basis) + \$0.52³/₄ Dec. futures gain. On another 25,000 bushels, my final price is \$3.63³/₄/bu. /bu. ($\$3.97\frac{3}{4}$ July + (-\$0.34) basis).

May 22-28, 2019: My price objectives for unpriced corn are met; \$3.61 on May 22, \$3.70 on May 24 and \$3.88 on May 28. Old crop sales are finished!

Summary of the 2018 Corn Crop:

20,000 bushels sold for....	\$3.24
15,000 bushels sold for....	\$4.02 ¹ / ₄
25,000 bushels sold for....	\$4.16 ¹ / ₂
25,000 bushels sold for....	\$3.63 ³ / ₄
15,000 bushels sold for....	\$3.73
Average price for 2018 corn	\$3.76