

How to get \$4 Corn

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HOW TO GET \$4 CORN

pre-harvest + post-harvest

The challenge? Make them work together
(i.e. marketing from start to finish)



Cash Corn Prices in SW Minnesota, 2014-2019



Cash Corn Prices in SW Minnesota, 2014-2019



Cash Corn Prices in SW Minnesota, 2014-2019



HOW TO GET \$4 CORN (IN 3 STEPS)

1. Price grain before harvest (\$4.10 Dec or better)
2. At harvest, store grain and roll the hedge forward (25 cents carry Dec to July, or better)
3. With a better spring basis, price and deliver grain

HOW TO GET \$4 CORN (IN 3 STEPS)

1. \$4.10 sale of December corn futures
-0.50 harvest basis
\$3.60 harvest price
2. +0.25 roll the hedge from Dec to July
3. +0.15 basis improvement (e.g., -35N vs -50Z)
\$4.00 corn by spring

* assumes a normal harvest basis of 50 cents under December futures, and a spring basis of 35 cents under the July futures.

HOW TO GET \$4 CORN

1. \$4.10 sale of December corn futures
-0.50 harvest basis
\$3.60 harvest price

Price grain before harvest
(HTA, futures or put options)

STEP I

- ✓ Will you get the chance to price \$4.10 December futures?

year	Dec high	date
2020	3.97	current
2019	4.68	June 17
2018	4.26	May 23
2017	4.15	July 10
2016	4.48	June 17
2015	4.37	July 2

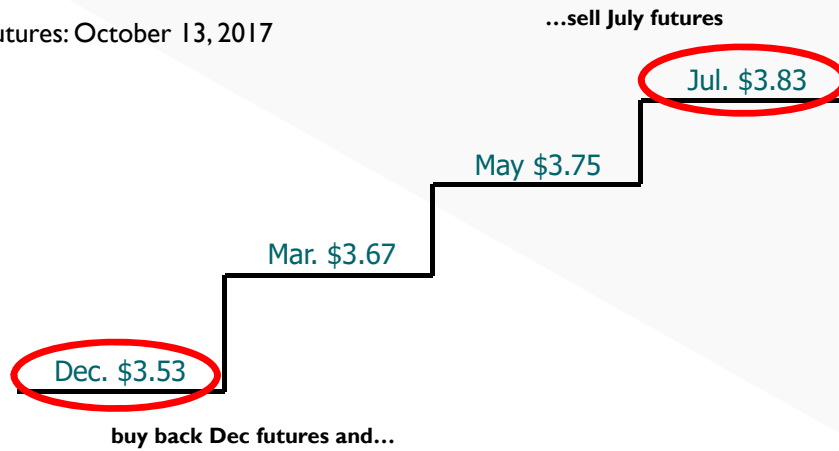
HOW TO GET \$4 CORN

1. \$4.10 sale of December corn futures
-0.50 harvest basis
\$3.60 harvest price
2. +0.25 roll the hedge from Dec to July

At harvest, store grain and roll the hedge forward to the following spring

ROLLING THE HEDGE?

CBOT corn futures: October 13, 2017



STEP 2

- ✓ Will you get the chance to roll the hedge for 25 cents at harvest?
- ✓ CME rule changes – stay tuned

year	Dec/Jul carry (cents/bu)
2020	23 current
2019	29 current
2018	24
2017	30
2016	22
2015	23

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STEP 3

✓ Will basis increase 15 cents by spring?

year	harvest (Z)	spring (N)	increase
2019/20	-23z		
2018/19	-50	-25	25
2017/18	-67	-37	30
2016/17	-61	-50	11
2015/16	-50	-47	3

HOW TO GET \$4 CORN

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\$4.00 corn by spring

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REVIEW THE OPPORTUNITY...

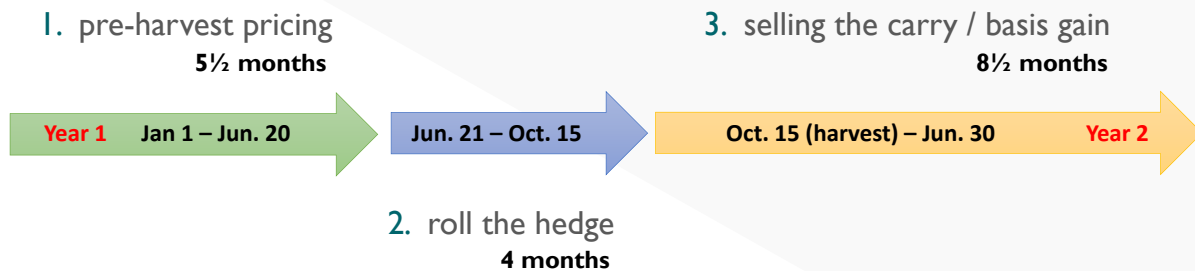
- ✓ Iowa average prices at harvest

crop	harvest price	opportunity
2019	\$3.40 current	\$4.00++
2018	\$3.20-3.25	\$4.00+
2017	\$2.95-3.05	\$4.00
2016	\$2.95-3.10	\$4.00+
2015	\$3.40-3.45	\$4.00++

RISKS...

- ✓ No sale of Dec. futures at \$4.10+
- ✓ December futures trade too high (drought!)
- ✓ The Dec/July carry <25 cents (drought!)
- ✓ Basis risk

PLAY THE GAME: CAN YOU GET \$4 CORN?



The **simulation game** features three different phases over 18 months.
This is marketing from start to finish!

MEET MY NEW FRIENDS



Tilly



Buck



Tammy



Tommy

HOW TO GET \$___ CORN ON YOUR FARM

1. sale of December corn futures
 + harvest basis
 _____ harvest price
2. + roll the hedge from Dec to July
3. + _____ basis improvement (e.g., -35N vs -50Z)
- = corn by spring

HOW TO GET \$9.00 SOYBEANS

1. **9.25** sale of Nov'20 soybean futures
 + **-.90** harvest basis
 8.35 harvest price
2. + **0.50** roll the hedge from Nov to July
3. + **0.15** basis improvement
 = **9.00** soybeans by spring 2021

Current soybean price? **\$7.70**

HOW TO GET \$4 CORN

About the workshop...

Netflix Tonite!

Ed presents...

“How to combine your pre and post-harvest marketing efforts to get a much better price for your corn, soybeans and wheat.”

HOW TO GET \$4 CORN - WORKSHOP

- ✓ 3 hours long
- ✓ Play a simulation game - try to get \$4 corn
- ✓ You meet my new friends
- ✓ **Interested in sponsoring a workshop for your customers?**
- ✓ Contact Edward Usset at usset001@umn.edu

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