



March 13, 2019

Grain Marketing

Center for Farm Financial Management

University of Minnesota

www.cffm.umn.edu/grain

Corn: 2019 Post-Harvest Marketing Plan

by Ed Usset

2019 production: 100,000 bushels

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2020.

20,000 bushels price and deliver at \$3.76/bu. harvest price.

75,000 bushels priced @ \$4.25½ with Dec'19 futures sales (Average of 6 pre-harvest sales. October 18 closes; Dec'19 @ \$3.91, cash price @ 3.76/bu.): Place in storage and sell the carry with a sale of the July contract at \$4.15¼/bu. I expect a harvest basis of 40 cents under the July contract to narrow to 15 cents under the July by next May or June. Exit plan: Unwind my storage hedge when the cash basis reaches 15 cents under the July contract, or by June 20. If basis reaches 15 under the July, I will receive a price of **\$4.34¾/bu.** [\$4.15¼ July + (-\$0.15) basis) + \$0.34½ Dec. futures gain

5,000 bushels (October 18 cash price @ \$3.76/bu.): Place in storage and hold for higher prices. Exit plan: Sell 5,000 bushels @ \$4.20 per. Risk no more than 26 cents/bu. under the harvest price - sell if the price falls below \$3.50. Bushels unsold at the end of April will be sold in equal increments, mid-May and mid-June.



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Corn: Execution of the 2019 Post-Harvest Marketing Plan

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October 18, 2019: Early sales paid off in a big way this year. The carry from December to July is nearly 25 cents. That's a good carry, and selling the carry is an appealing alternative this year. The only concern is basis. At 15 cents under, it is the strongest harvest basis seen since the drought of 2012. Based on a modest corn crop, I expect basis to remain strong in the months ahead. Storage limitations force me to sell 20,000 bushels at harvest.

March 13, 2020: Last fall, I placed a storage hedge in the Jul'20 contract. The harvest basis was 40 cents under the July contract – I was hoping for a spring basis of 15 cents under July. We are there. The cash price of corn is \$3.55/bu., or 14 cents under the Jul'20 contract, trading at \$3.69/bu. I will lift the hedge by delivering corn and buying back July futures. My final price on 75,000 bushels is \$4.36/bu. [$\$4.15\frac{1}{4}$ July + (-\$0.14) basis] + $\$0.34\frac{1}{2}$ Dec. futures gain].

March 20, 2020: I don't believe I have ever been "stopped-out" of the cash market. I was holding 5,000 bushels of unpriced corn waiting for higher prices that never emerged. I placed a stop to sell if the price fell below \$3.50/bu. cash. The pandemic has sent all grain prices reeling and cash corn prices that were \$4.00 at the start of the year are now quoted at \$3.22 today. Ouch.

Summary of the 2019 Corn Crop:

20,000 bushels sold for....	\$3.76
75,000 bushels sold for....	\$4.36
5,000 bushels sold for....	\$3.22
Average price for 2019 corn	\$4.18