Grain Marketing

Center for Farm Financial Management
University of Minnesota
www.cffm.umn.edu/grain

October 16, 2020

Corn: 2020 Post-Harvest Marketing Plan

by Ed Usset

2020 production: 100,000 bushels

Objective: Seek strategies that balance risk and reward in the current market environment. Hold no unpriced corn beyond July 1, 2021.

20,000 bushels priced with a sale of Dec'20 futures at $3.61¾: set the basis at 45 cents under and deliver $3.17/bu.

20,000 bushels priced in early October with Dec'20 futures sales @ $3.82¾: Place in storage and roll the hedge to the March contract at a 5 cents carry (Dec'20 @ $4.02, Mar'21 @ $4.07). I am buying time for the carry to May or July to widen. Sometime in February, I hope to roll the hedge forward to the May or July, or simple set the basis and deliver.

40,000 bushels: sell the carry with March futures at $4.07/bu. (harvest price at $3.57/bu.). Again, I am buying time for the carry to May or July to widen. Sometime in February, I hope to roll the hedge forward to the May or July, or simple set the basis and deliver.

20,000 bushels (October 16 cash price @ $3.57/bu.): Place in storage and hold for higher prices. Exit plan: Sell 5,000 bushels @ $3.75, 5,000 @ $3.85, 5,000 @ $4.05 and the last 5,000 bushels at $4.15/bu. per. Risk no more than 27 cents/bu. under the harvest price - sell if the price falls below $3.30. Bushels unsold at the end of April will be sold in equal increments, from mid-May to mid-June.

February 26,2021

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Corn: Execution of the 2020 Post-Harvest Marketing Plan

by Ed Usset

October 16, 2020: A December hedge at \$3.62 in early September resulted in a harvest price of \$3.17/bu. Sound awful? That price is modestly higher than the average selling opportunity during the first 9 months of 2020. The ensuing August/September rally in corn and soybean prices is one for the record books. Dec'20 corn prices rose 15% in those two months (\$3.28½ in early August, and \$3.79 by the end of September). Only 2010 was better. The disappearance of the Dec/Jul carry is disturbing and messes with my post-harvest plans. The corn crop in 2020 will be the second largest on record and ending stocks are projected to remain above 2 bb – so why is the Dec'20/Jul'21 carry less than 7 cents (\$4.02/\$4.08¾) when it was 22-29 cents in each of the previous 4 years? Hedging in the March contract is buying time.

November 20, 2020: Cash price reaches \$3.90, and sales are made on 10,000 bushels of corn held in storage.

December 18, 2020: Cash price reaches \$4.05, and another sale is made on 5,000 bushels of corn held in storage. I have only 5,000 bushels of unpriced corn remaining.

December 24, 2020: Cash price reaches \$4.18, and another sale is made on 5,000 bushels of corn held in storage.

February 26, 2021: A positive carry from March to May, or March to July never materialized. It's time to unwind this less than satisfactory position. Set the basis at 40 cents under the March and deliver 20,000 bushels of corn. Final price is \$3.82¾ Dec sale + 0.05 cent carry to March + (-0.40) basis = \$3.47¾

February 26, 2021: Set the basis at 40 cents under the March and deliver 40,000 bushels of corn. Final price is \$4.07 March sale + (-0.40) basis = \$3.67

Summary of the 2020 Corn Crop:

20,000 bushels sold for…	**$3.17**
20,000 bushels sold for…	**$3.47¾**
40,000 bushels sold for…	**$3.67**
10,000 bushels sold for…	**$3.90**
5,000 bushels sold for…	**$4.05**
5,000 bushels sold for…	**$4.18**
Average price for 2020 corn	**$3.60**