

Harvest progress doesn't hit basis

Strong cash market is a marketing opportunity

By Bryce Knorr

Opportunities to sell corn on flat price basis may be on hold now that USDA's November crop report is in the books. The agency's production, supply and demand update didn't provide enough bullish news to justify big gains, and futures could languish until the next and final estimate of the crop's size comes out in January.

But that doesn't mean growers should sit back and do nothing. Strong basis in many areas is a chance to make some lemonade out of a market that's been a lemon so far.

The slow pace of harvest to date, coupled with plenty of storage in many areas, has end users bidding up the cash market to lure corn out of the hands of farmers disappointed by the break in futures over the past month. While basis is fading in parts of the western Corn Belt like Nebraska and Kansas with better yields, elsewhere the cash market is on fire. Bids are still at double digit premiums to option in parts of the eastern Midwest, while basis moved above average at some terminals on the Illinois River, where deliveries will focus against December at the end of the month.

Some ethanol plants competing with the river are even offering free drying for the wet crop to attract feedstocks. Basis overall at plants was mixed last week but improved on average thanks to margins that ticked higher due to cheaper corn costs.

A dry forecast for the rest of November could bring more corn to town, but growers selling to markets feeding stretches of the Mississippi River due to close in a month may have the best shot at working a deal. Barge freight costs rose last week as shippers scrambled against the deadline despite a steady stream of empties moving up river as the annual rush to river close strengthens bids. Even with that demand barge freight costs don't show more than a few pennies easing into summer as the industry anticipates steady shipments after the slow start to soybean exports caused by the trade war with China.

Carry in corn futures is around 3 cents a month per bushel, which might net a penny or so after costs, but it's far from a slam dunk. Basis contracts could be an alternative on some corn, at least to generate some cash flow for prepaying inputs before the end of the year.

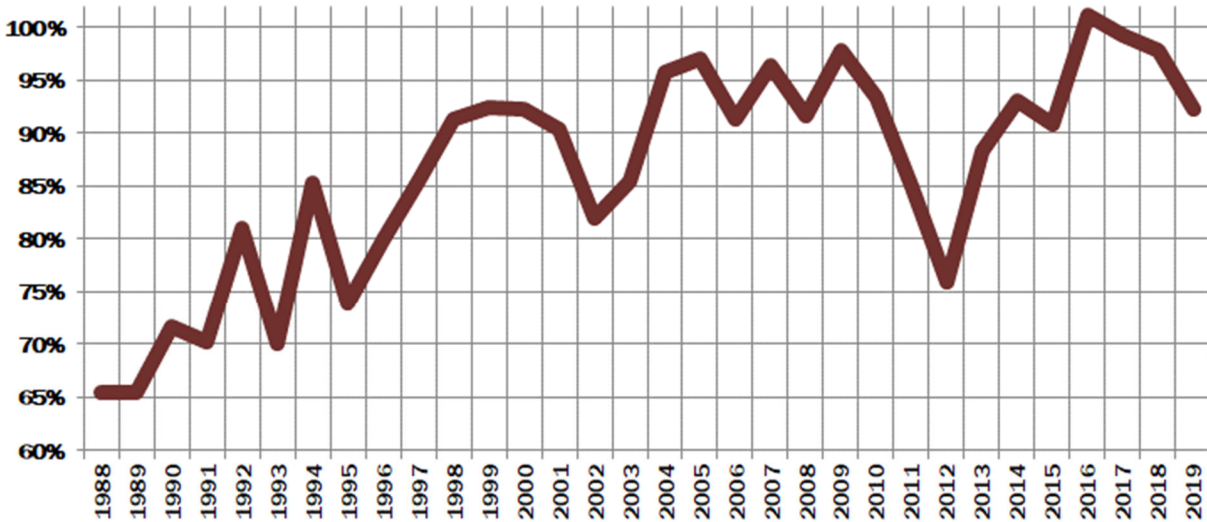
Soybean basis, meanwhile, has made a dramatic recovery from the very weak levels seen in the dog days of the trade war. That helped bids easily beat the roll to January as November went into delivery. The best indication of that was the November-January spread, which tightened more than six cents from its low on first position day.

Some processors even strengthened cash better than the roll to attract inventory in a highly competitive market, with the rally in soybean oil keeping margins decent. Carry in futures is running around a penny after interest. Like corn that may not be enough for growers who can find a buyer willing to push bids to fill a barge or keep the plant running.

Wheat demand hasn't been great, but it's good enough to force buyers to up their game too. Export markets off the Pacific Northwest and Texas and Louisiana Gulf strengthened, with bids steady to higher at most locations. The best markets remain from the northern Plains to the PNW. USDA confirmed lower spring wheat production Friday, and white wheat jumped as Australia gets ready to harvest one of its poorest crops in a decade.

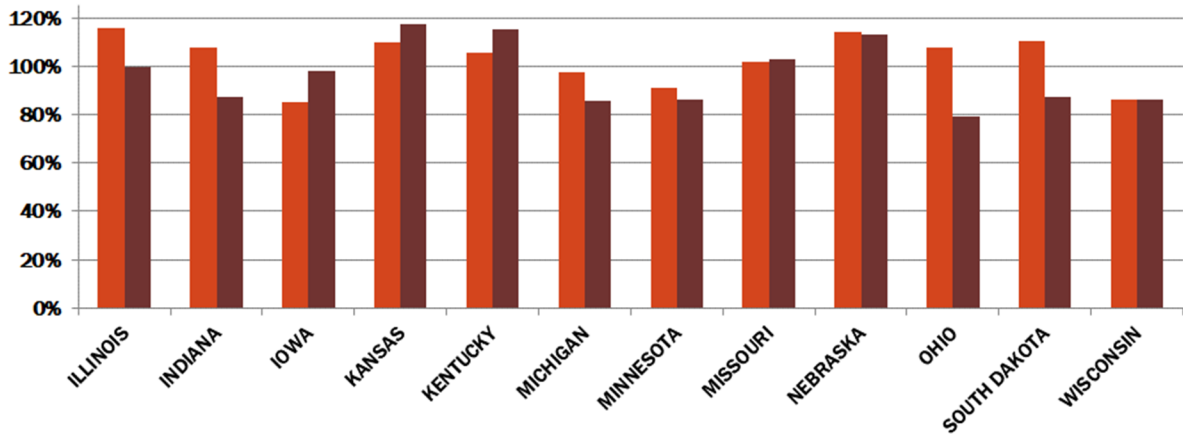
Even sorghum basis strengthened last week, with basis at the Texas Gulf lifting rail bids into Kansas. China showed up as a buyer in last week's export sales report as hopes for elimination of tariffs helped improve the mood.

Total U.S. Grain Storage Capacity Used At Harvest

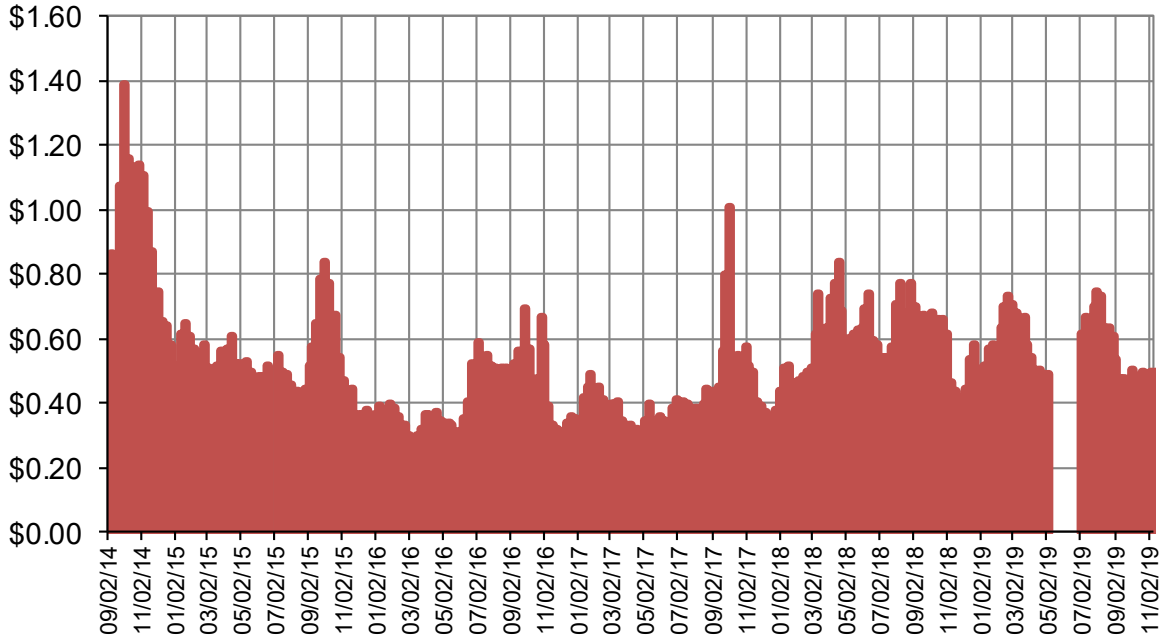


Percentage Of Storage Capacity Used At Harvest

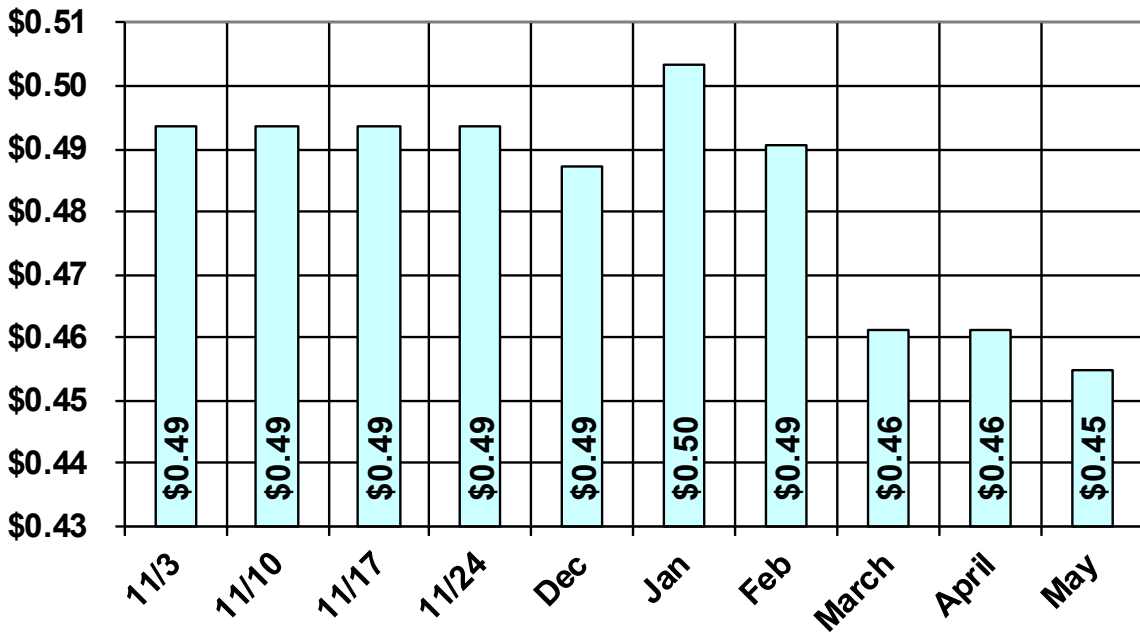
■ 2018 ■ 2019



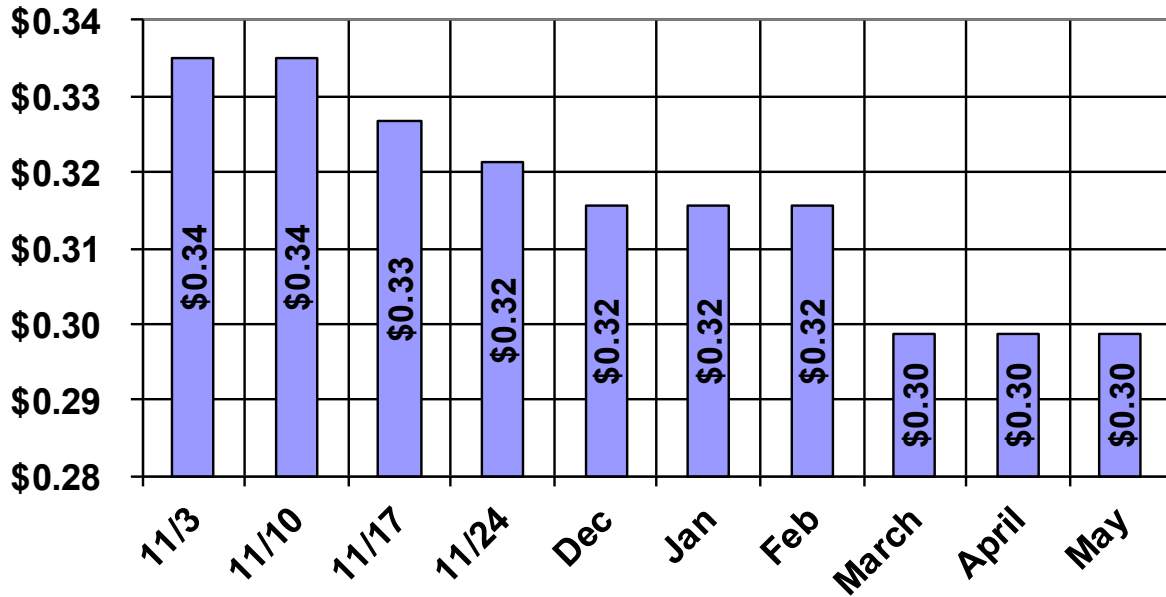
Cost/Bu. To Ship Corn Illinois River To Gulf



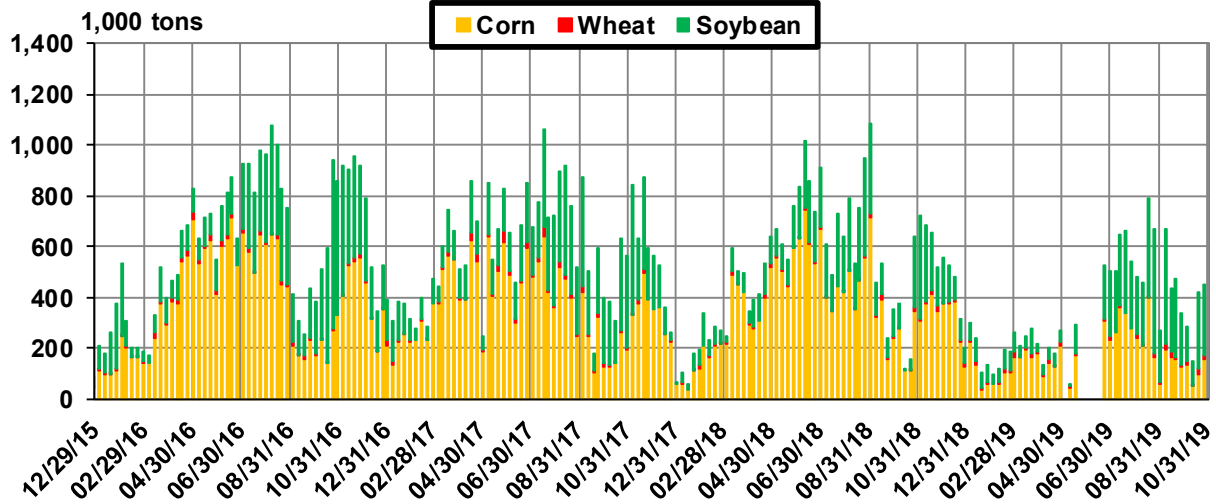
Barge offers to ship corn, Illinois to Gulf, per bu.



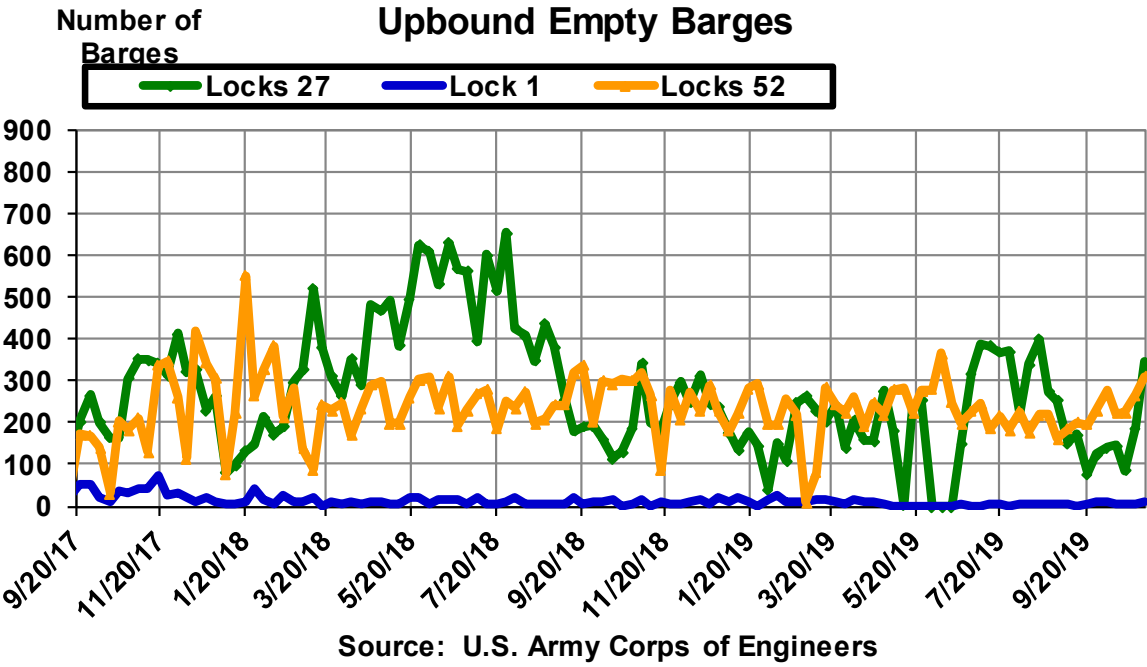
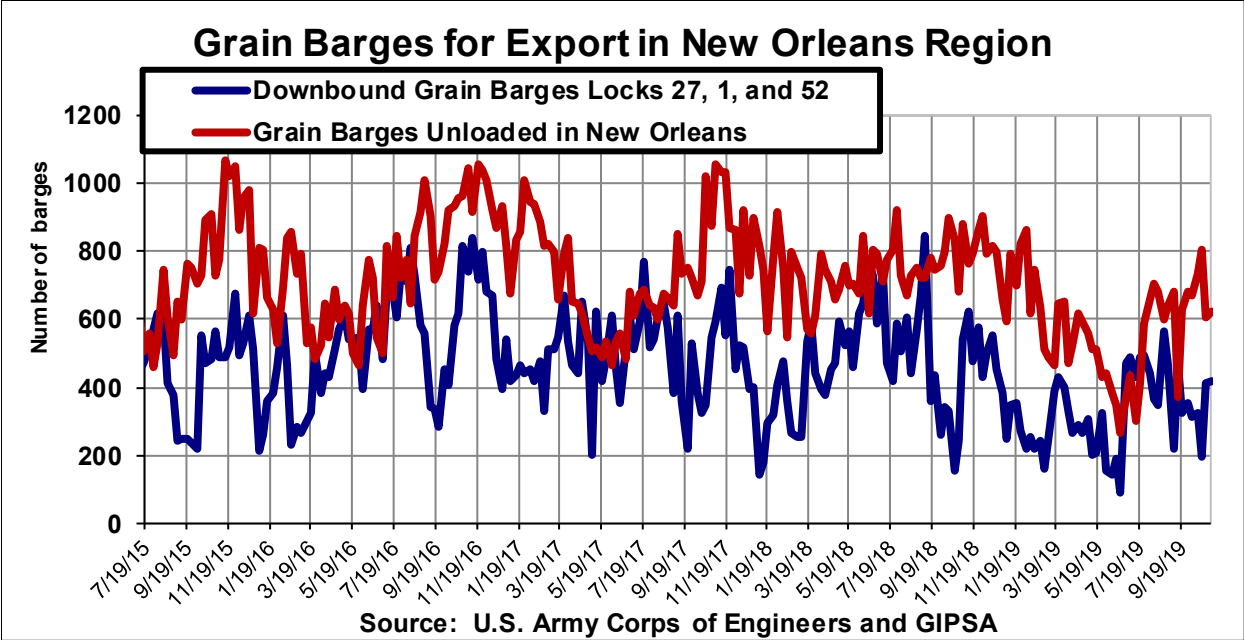
Cost per bushel to ship grain from St. Louis to Gulf



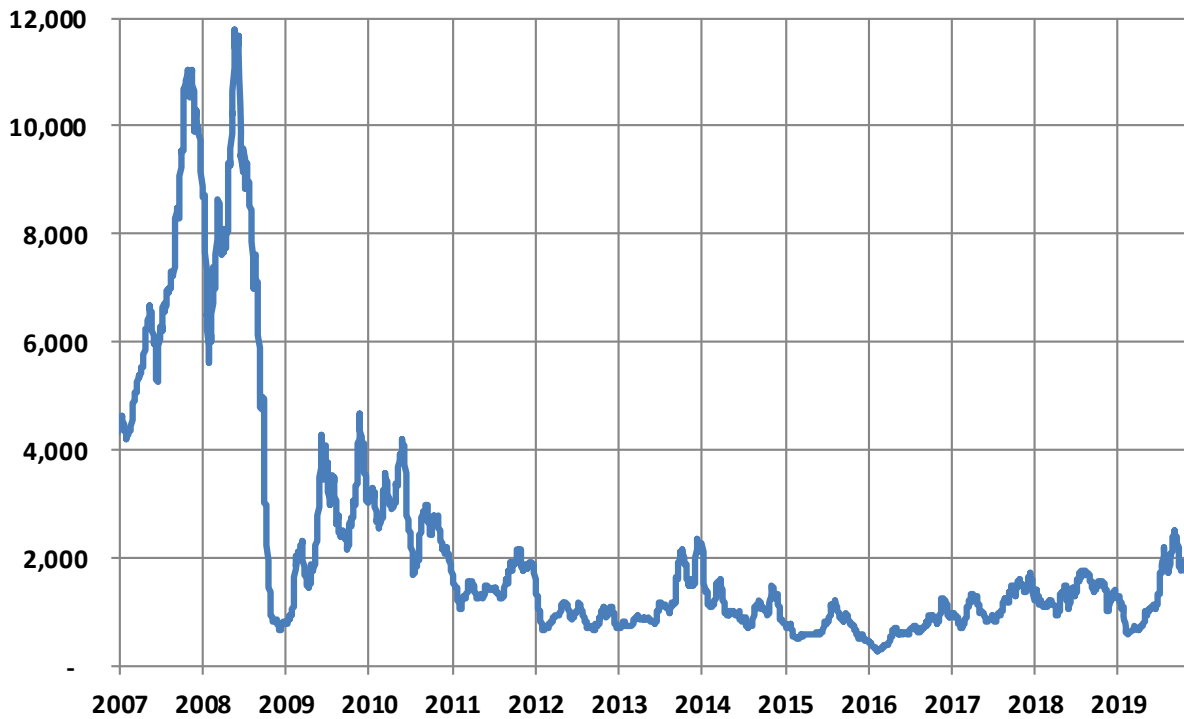
Barge Movements on the Mississippi River Through Locks 27 - Granite City, IL



Source: U.S. Army Corps of Engineers

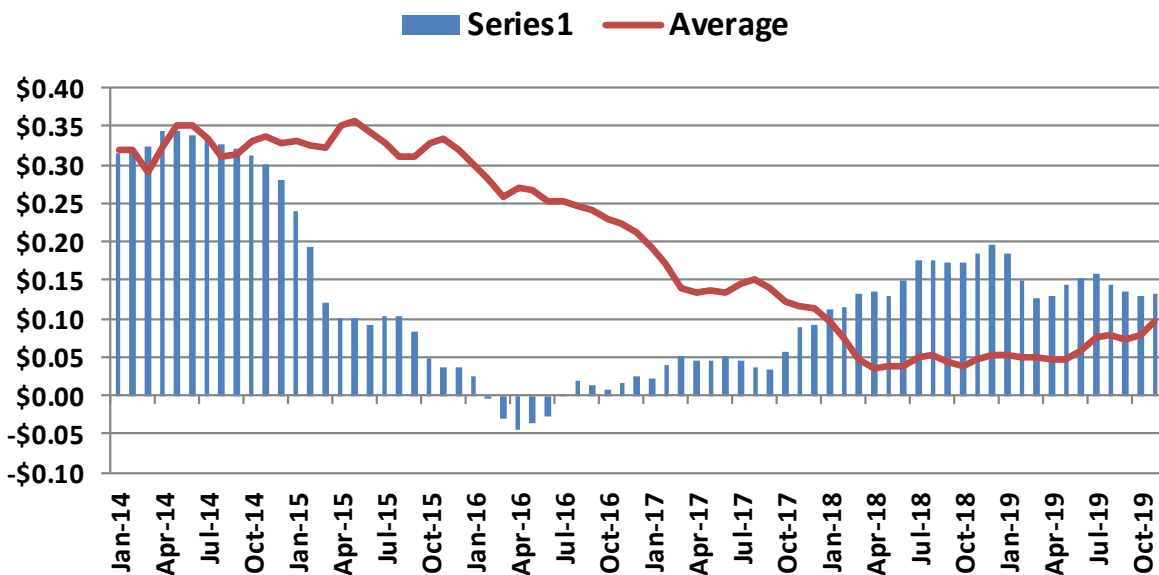


Baltic Dry Index



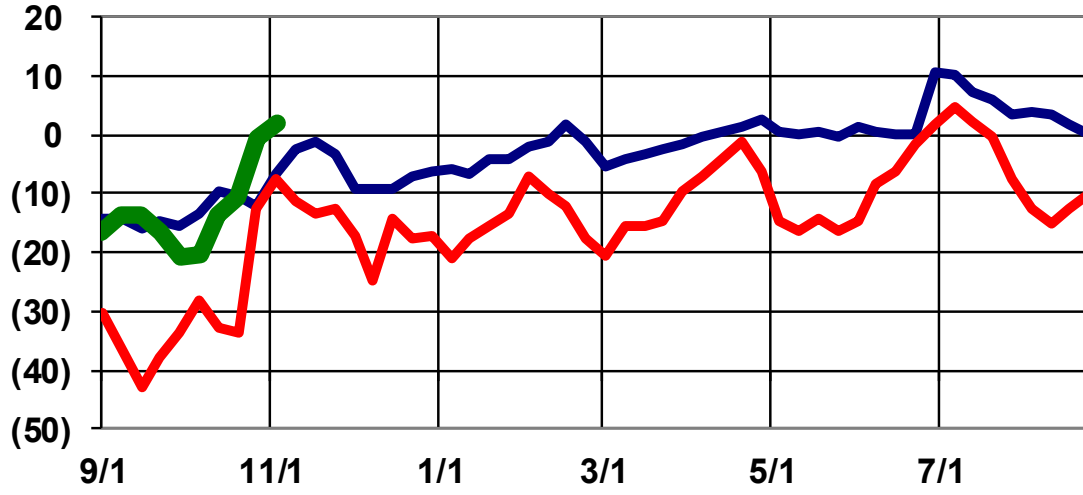
Rail Fuel Surcharges

(cents/car/mile)



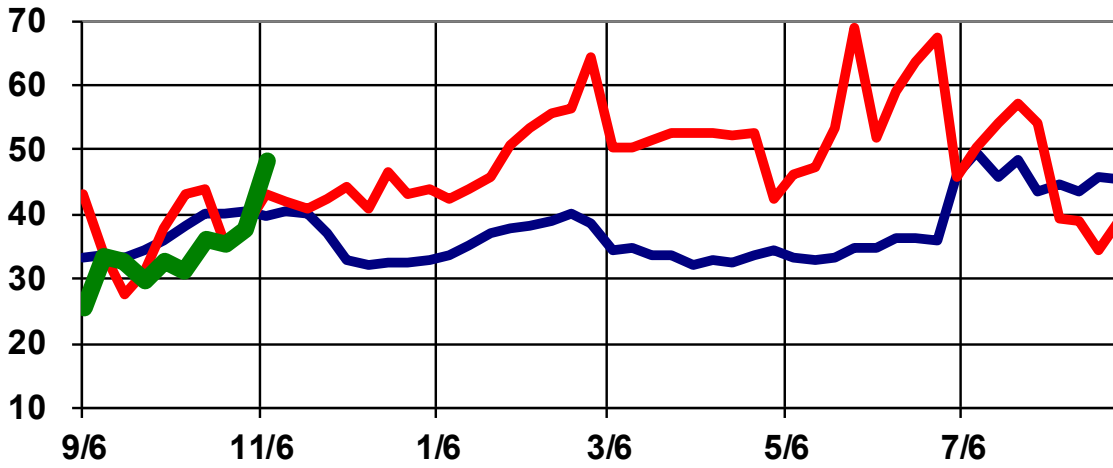
Source: USDA

Illinois River Corn Basis



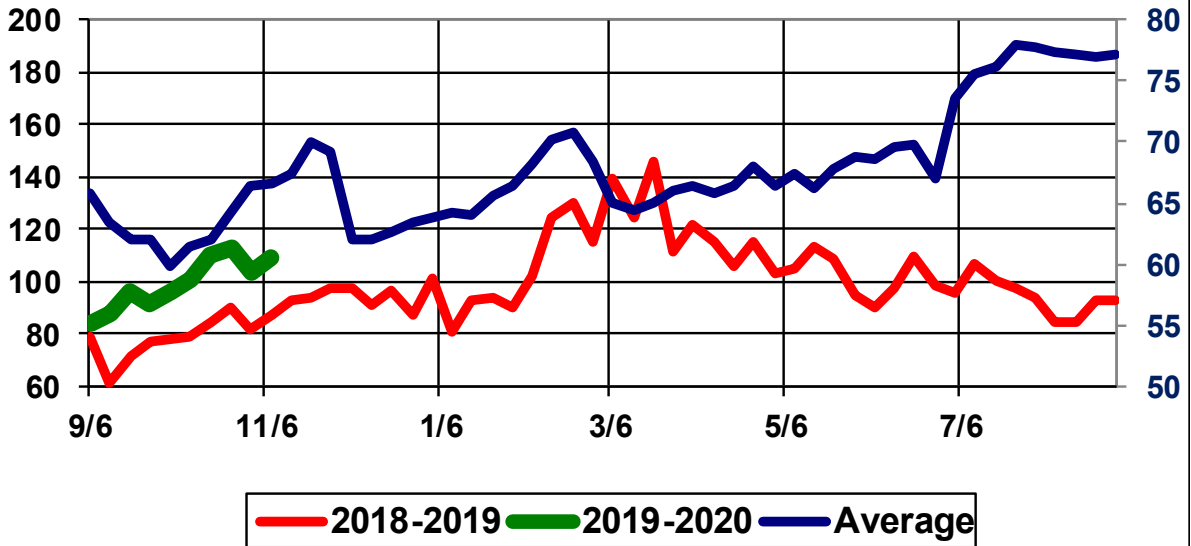
— Average — 2018-2019 — 2019-2020

Gulf Corn Basis

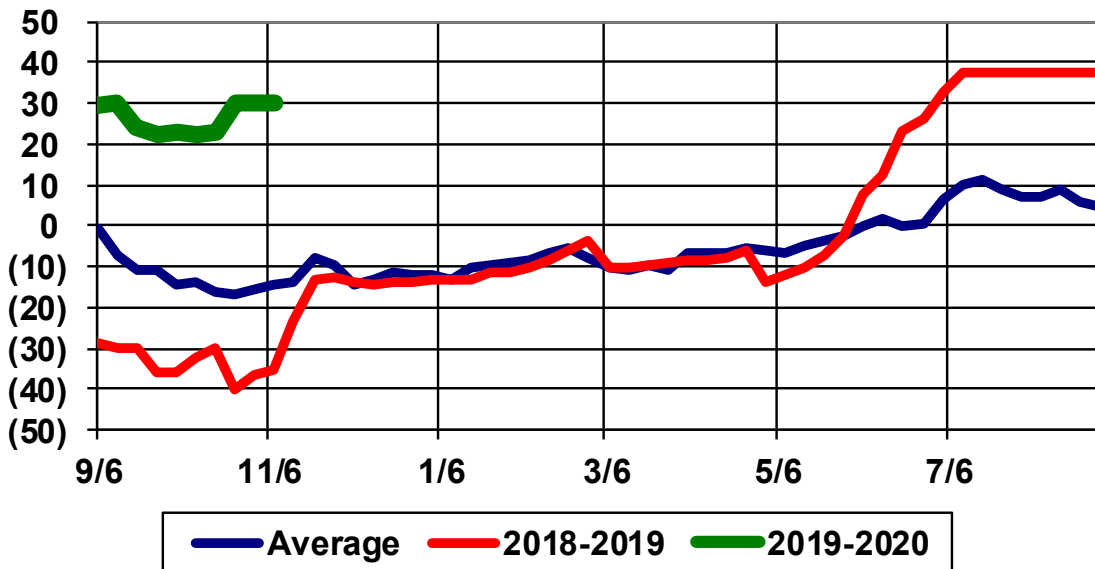


— Average — 2018-2019 — 2019-2020

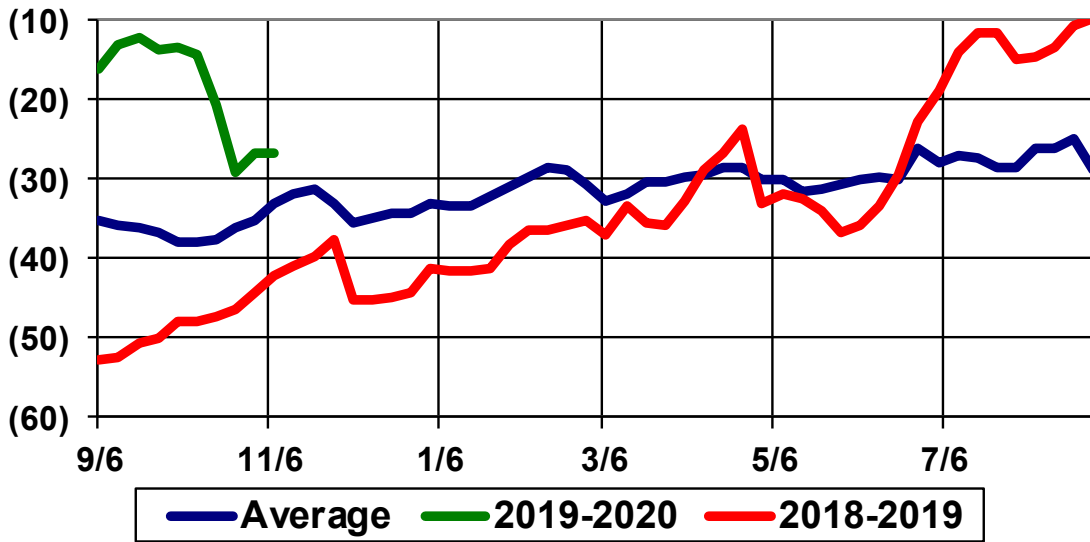
Portland Corn Basis



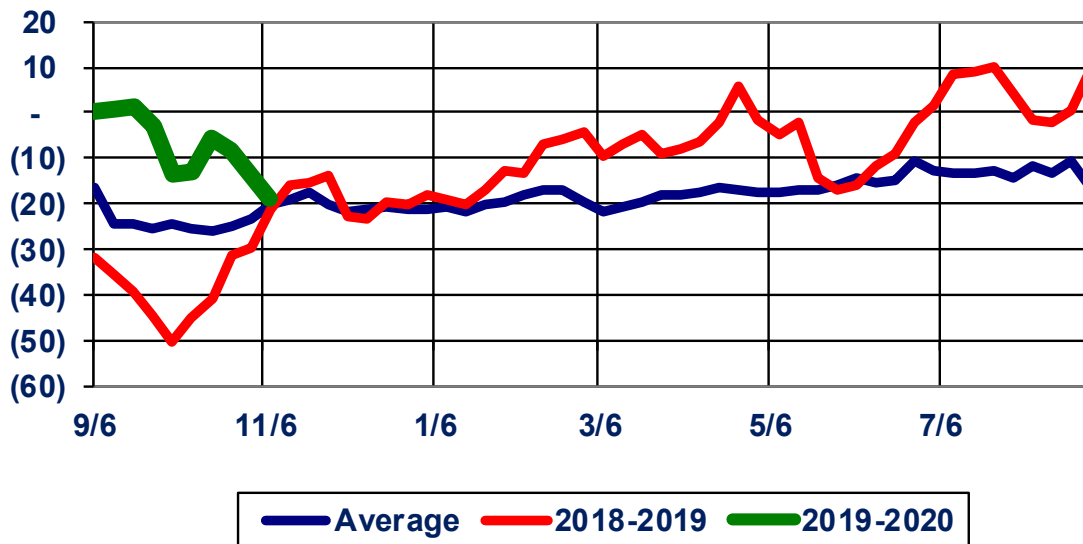
Toledo Corn Basis



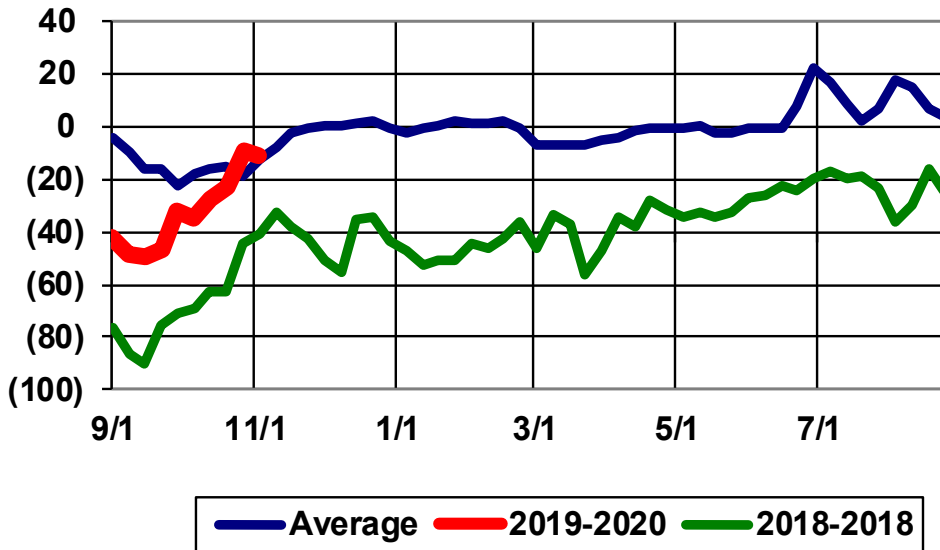
North Central Iowa Corn Basis



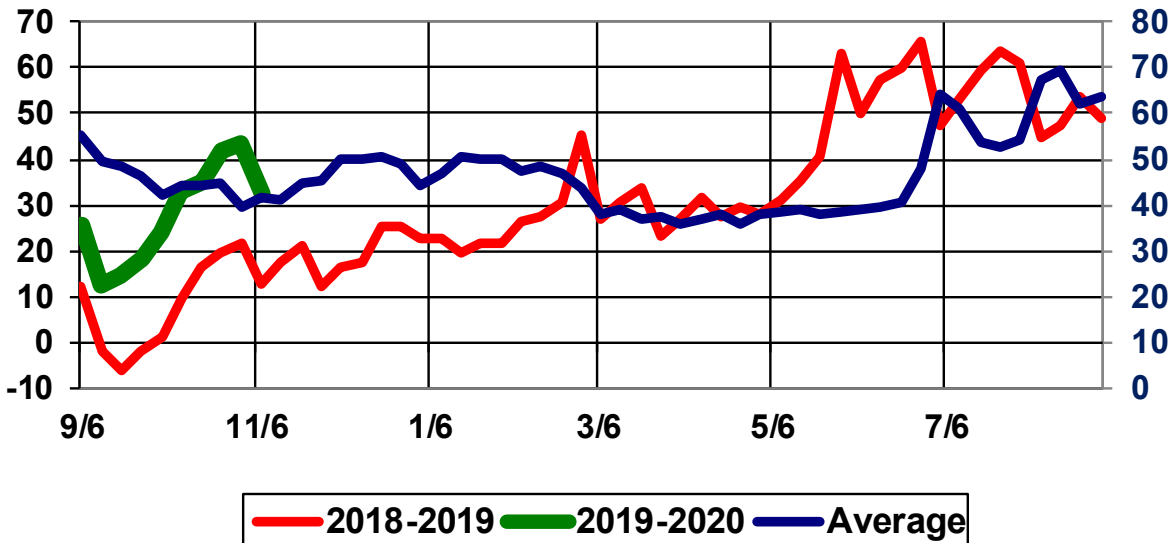
Omaha Corn Basis



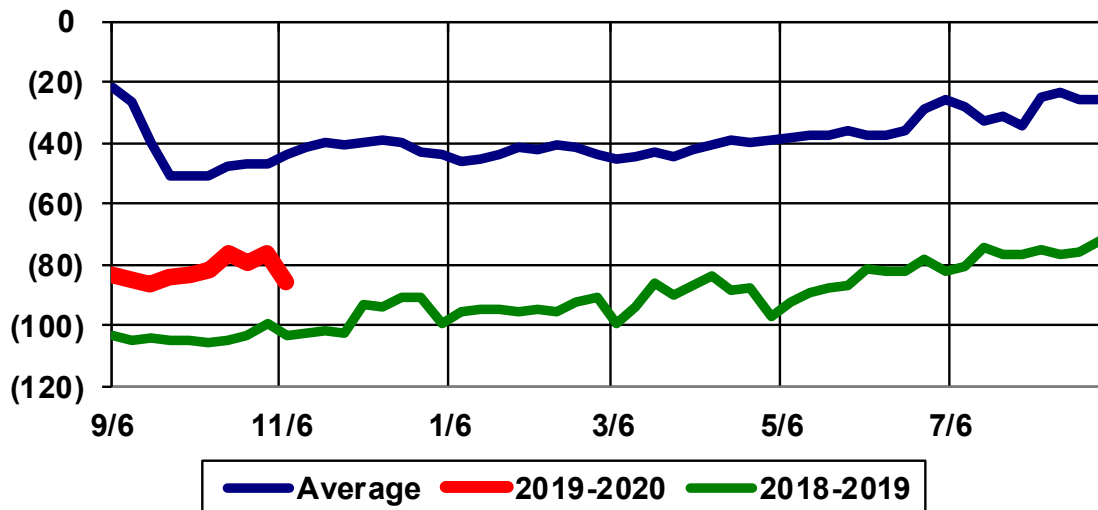
Illinois River Soybean Basis



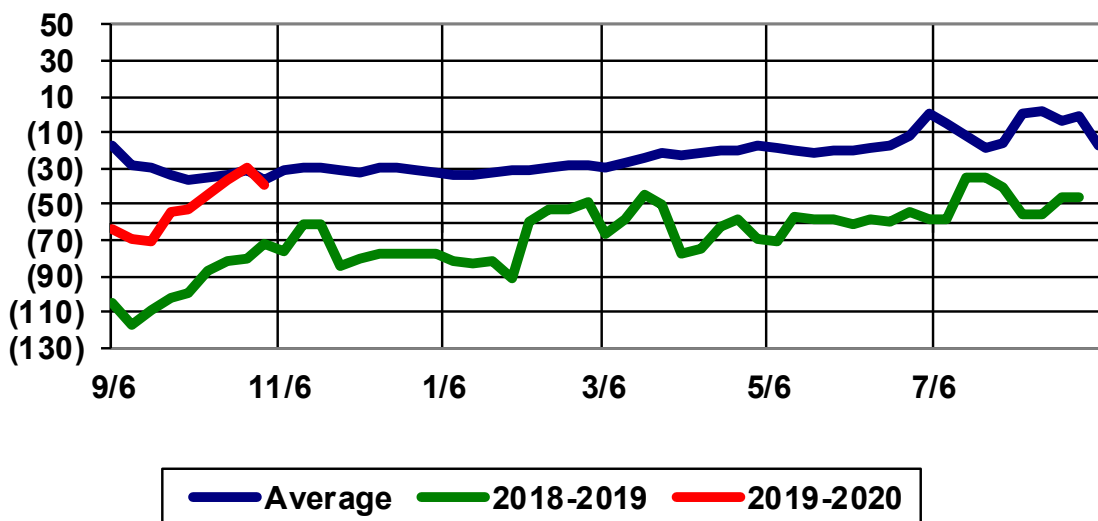
Gulf Soybean Basis



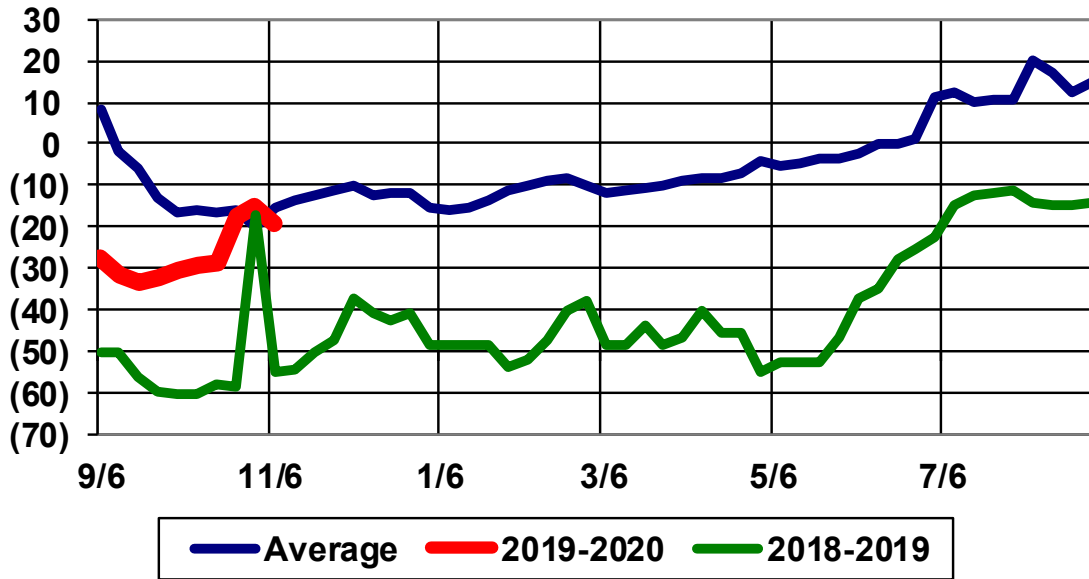
North Central Iowa Soybean Basis



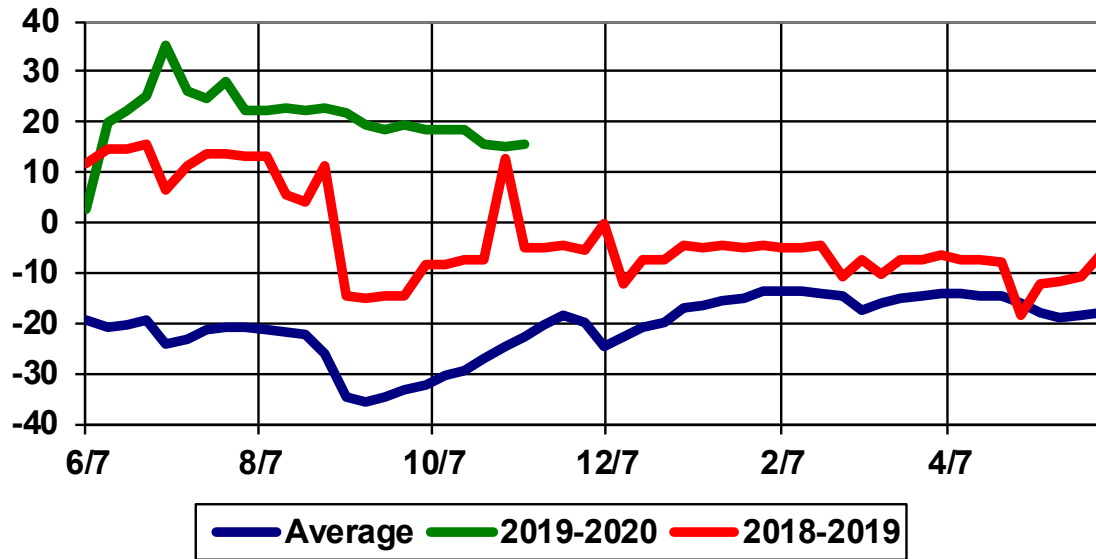
Minneapolis Soybean Basis



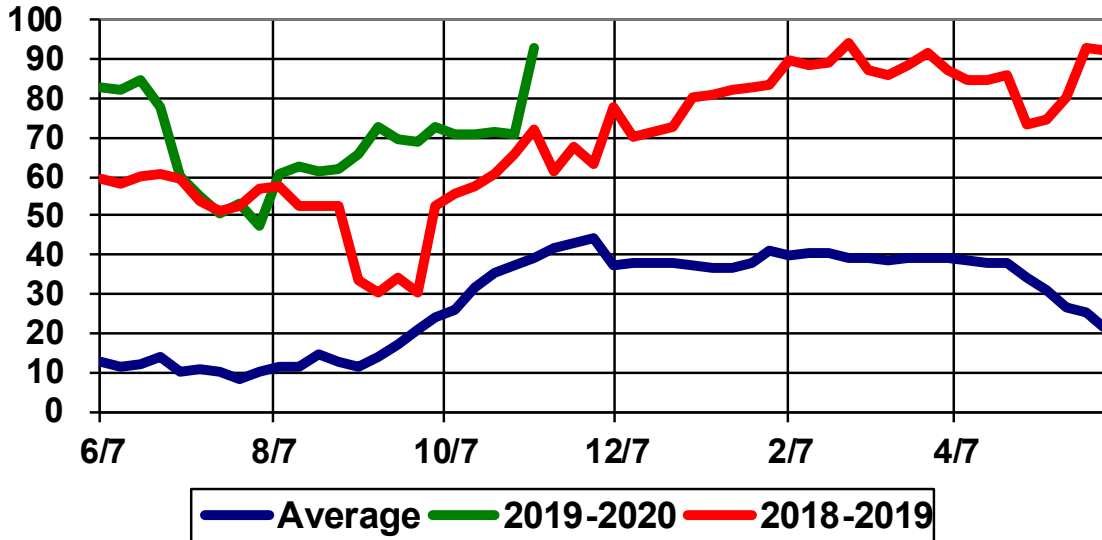
Toledo Soybean Basis



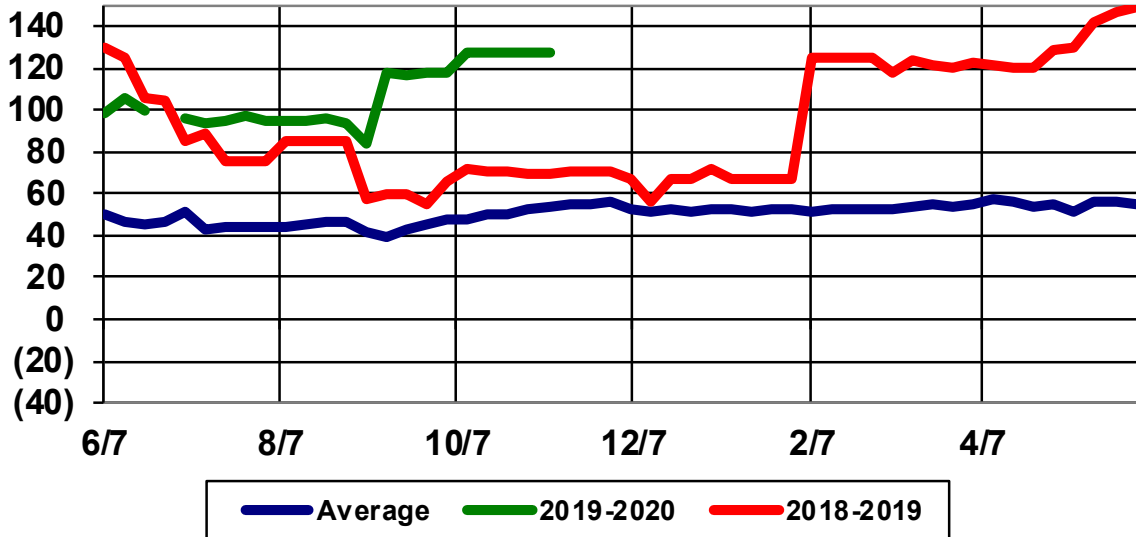
Toledo Soft Red Winter Wheat Basis



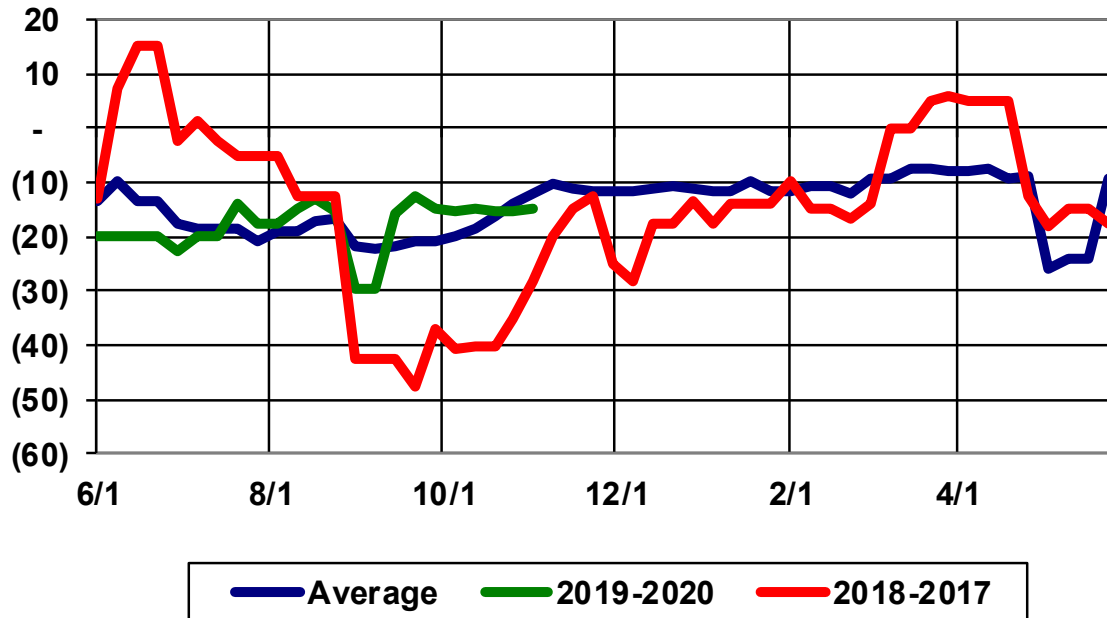
Louisiana Gulf Soft Red Wheat Basis



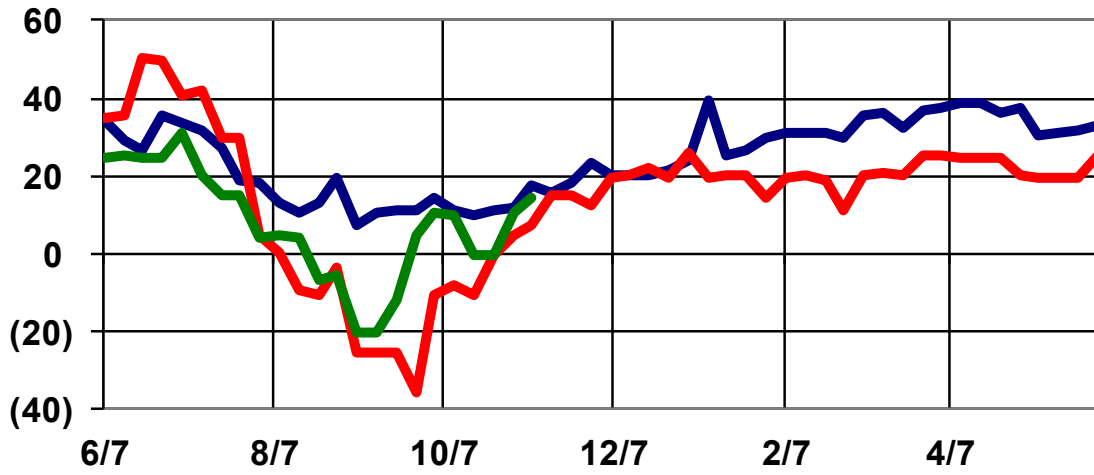
Texas Gulf Hard Red Wheat Basis



Salina Wheat Basis

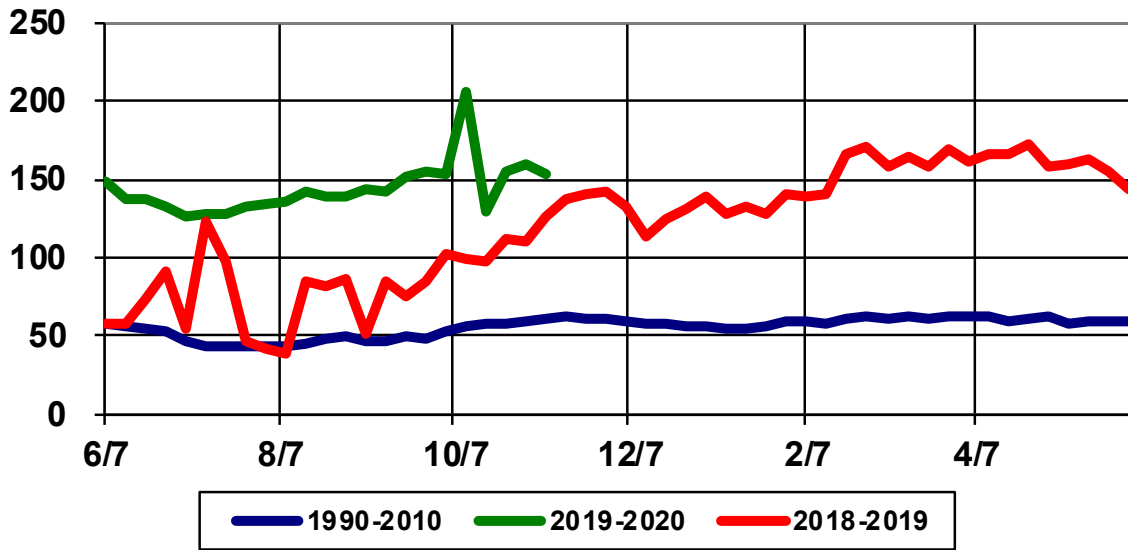


Minneapolis Spring Wheat Basis



— Average — 2018-2019 — 2019-2020

Portland Ordinary Wheat Basis



PNW White Wheat Basis

