

Grain Market Review

(As of Friday, September 25, 2009)

Alan R. May
Extension Grain Marketing Specialist
South Dakota State University

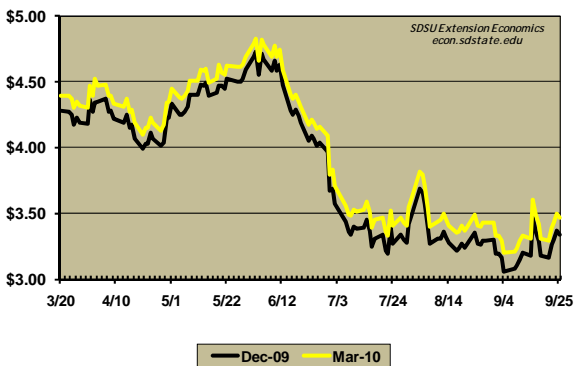
CORN

Chicago CORN Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	334	318	16
Mar	347	331	16
May	355	341	14
Jul	364	349	15
Sep	372	357	15
Dec	383	367	16
Mar	395	380	15

South Dakota Cash Corn			
	This Week	Last Week	Change
Cash bids	262-313	259-307	
Ave. price	292	285	7

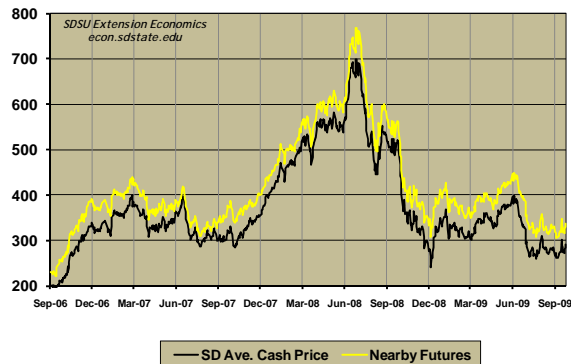
Other crops	S.D. Ave.
Sunflower	1146
Oats	172
Milo	240
Millet	511

Daily CORN Futures
Chicago Board of Trade

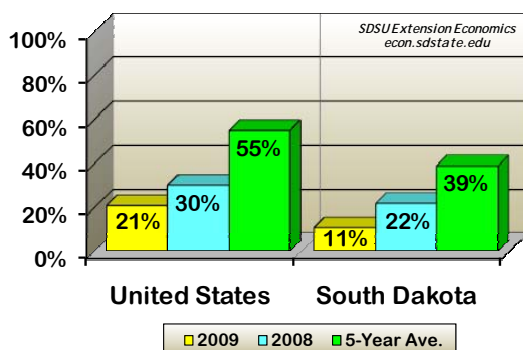


CORN

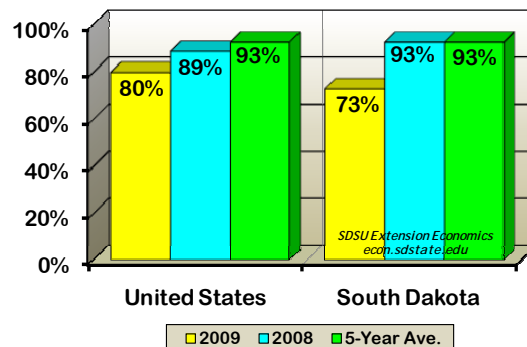
SD Daily Ave. Cash v. Nearby Futures
(September 2006 - Present time)



Corn: % Mature
(as of September 20, 2009)



Corn: % Dented
(as of September 20, 2009)



Source: USDA-National Agricultural Statistics Service

Source: USDA - National Agricultural Statistics Service

The South Dakota average price for corn late this past week was \$2.92 per bushel, 7 cents higher than a week ago.

With harvest approaching without a significant freeze as yet, the prospects are more firm for achieving the current projections for a significant corn yield nationwide. There is little question the U.S. will produce at the very least, the second largest corn crop in history. The only question that remains is where the final production number fits with the current total production expectation of 12.95 billion bushels. With all the talk about late development of the corn crop, September has been a warmer than usual month and depending upon when the first freeze hits, the impact of the weather this summer and fall on yields may not be as negative as many have feared. Time will tell but frost will come whether we want it to or not. At this point, we just have to be prepared for managing the crop as it comes out of the field in terms of storage, drying, transporting, etc.; all the things you normally prepare for every year.

However, with prices much lower this fall than in the previous few years, you also need to prepare for how to market the corn that you have not already priced. There is currently significant carry in the corn futures market. There is enough added value in each successive deferred contract to pay for storage so there is an incentive to store corn as long as you are willing to price it now for delivery later. While carry in the market is an incentive to store corn, carry does not guarantee that prices will not move lower or higher. Carry should be evaluated daily; while the amount of carry may not change much from day to day, prices do change daily. There may be a similar amount of carry in the market over a period of weeks to months but prices could be much higher or much lower than they are today. This means you have to make a decision to price corn in storage and be prepared for price changes later. Remember that every time you make a sale, you give up something to get something else in return. If you price corn in storage now, you give up the chance to get a better price later on, but in return you get protection against a decline in prices during the storage period.

The other aspect of pricing corn in storage for delivery later is that basis may be narrower for forward priced corn versus basis at harvest. In this case, you will not only take advantage of the carry in the market, you will also benefit from an improved basis than might currently be offered on corn sold today. Check with your local buyer to see what kind of forward bids are being offered and compare the basis as well. This could be the best opportunity to capture a better price for delivery later with less risk than storing corn unpriced after the harvest period.

USDA's monthly supply and demand numbers from the most recent World Agricultural Supply and Demand Estimates report are summarized in a file that is linked below. For complete details, simply click on the link entitled, "Corn Supply and Demand."

Corn basis data and cash corn price data for various regions of South Dakota is available by connecting with a link at the bottom of this page. To access the charts showing the corn basis and cash prices for your region of the state, just click on the link entitled "Cash corn price and basis charts". This basis information is compiled by the Economics Department at South Dakota State University.

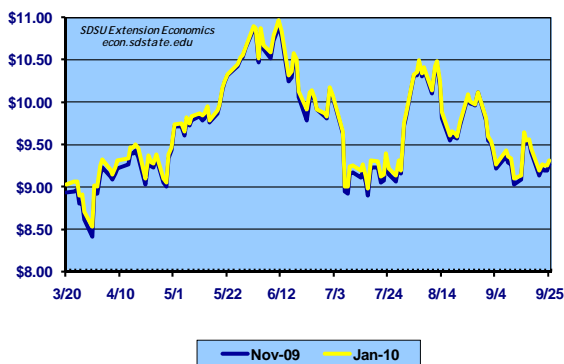
SOYBEANS

Chicago SOYBEAN Futures			
Futures Month	This Week	Last Week	Week's Change
Nov	926	941	-15
Jan	931	945	-14
Mar	932	947	-15
May	931	944	-13
Jul	933	945	-12
Aug	927	939	-12

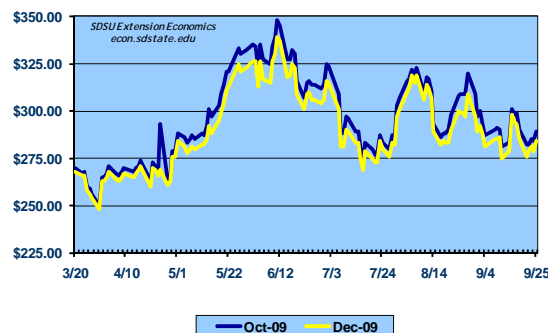
South Dakota Cash Soybeans			
	This Week	Last Week	Change
Cash bids	806-870	843-983	
Ave. price	851	891	-40

Other crops	S.D. Ave.
Sunflower	1146
Oats	172
Milo	240
Millet	511

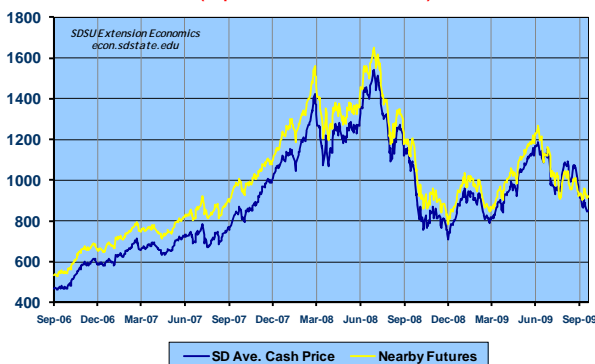
Daily SOYBEAN Futures
Chicago Board of Trade



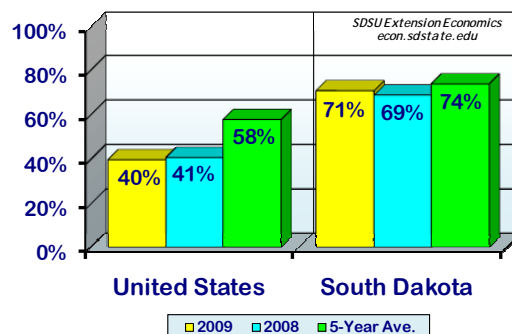
Daily SOYBEAN MEAL Futures
Chicago Board of Trade



SOYBEANS
SD Daily Ave. Cash v. Nearby Futures
(September 2006 - Present time)



Soybeans: % Dropping Leaves
(as of September 20, 2009)



Source: USDA - National Agricultural Statistics Service

The South Dakota average price for soybeans late this past week was \$8.41 per bushel, 40 cents lower than a week ago.

Other than the double digit losses on Monday, soybean futures were fairly consistent this past week, with very modest daily losses or gains through Friday. With harvest just underway in some parts of the northern plains and corn belt, soybean futures seemed to stay in a neutral mode with few fundamental factors to trade on. This market seemed

willing this week to wait and see what the weather brings and how quickly harvest can get underway, so most of the week was noted with single digit gains or losses.

In the corn market review, I made mention of the large carry in corn futures. This is not the case with soybeans. There is no carry in the soybean market and this is a clear signal right now that the market is not willing to pay you to store soybeans. Even if basis bids on forward contracts in the months ahead are narrower than is currently being offered, there is little chance that storage will pay. This does not mean that you couldn't store beans and take advantage of a better price in the months ahead. What it does mean is that if you are willing to store beans with no price protection, you are willing to take all the price risk of storing soybeans. Prices could move lower during the storage period and you would lose value, but prices could also move higher. At the same time, you will also have some costs in storing soybeans that have to be accounted for as well.

This is a market that is basically sending a signal for you to sell now and stay out of the soybean storage business. You could always go into the options or futures market to see if you could take advantage of higher prices after you sell your soybeans but this would be as speculative of a risk as if you stored the beans un-priced. There is nothing wrong with either strategy; it just involves more risk for both lower and higher prices. If you have already priced beans sometime during the growing season at a higher value than what is offered at harvest, you could decide to simply sell the rest of your un-priced beans at harvest and combine the two prices for the total value of your beans. If this provides profit for you, perhaps there is no need to do anything else in terms of speculating with call options or futures after you sell your beans.

USDA's monthly supply and demand numbers from the most recent World Agricultural Supply and Demand Estimates report are summarized in a file that is linked below. For complete details, simply click on the link entitled, "Soybean Supply and Demand."

Soybean basis data and cash soybean price data for various regions of South Dakota is available by connecting with a link at the bottom of this page. To access the charts showing the soybean basis and cash prices for your region of the state, just click on the link entitled "Cash soybean price and basis charts". This basis information is compiled by the Economics Department at South Dakota State University.

WHEAT

Minneapolis WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	487	497	-10
Mar	503	511	-8
May	515	522	-7
Jul	527	532	-5
Sep	539	544	-5

Chicago WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	450	457	-7
Mar	470	477	-7
May	485	489	-4
Jul	501	501	0
Sep	516	517	-1

Kansas City WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	469	472	-3
Mar	486	488	-2
May	497	500	-3
Jul	509	511	-2
Sep	520	523	-3

South Dakota Cash Spring Wheat			
	This Week	Last Week	Change
Cash bids	379-522	380-521	
Ave. price	489	474	15

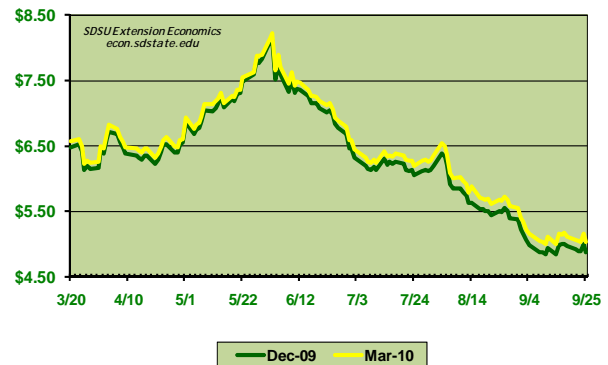
South Dakota Cash Winter Wheat			
	This Week	Last Week	Change
Cash bids	359-450	344-450	
Ave. price	396	385	11

Other crops	S.D. Ave.
Sunflower	1146
Oats	172
Milo	240
Millet	511

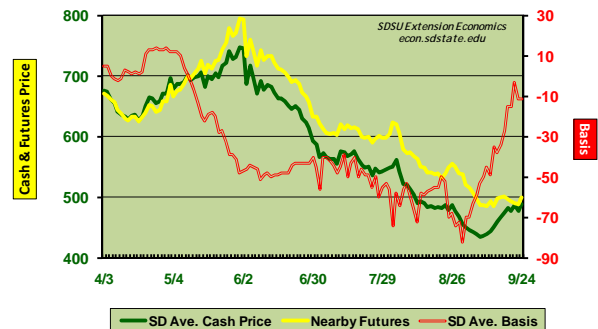
Daily WINTER WHEAT Futures
Kansas City Board of Trade



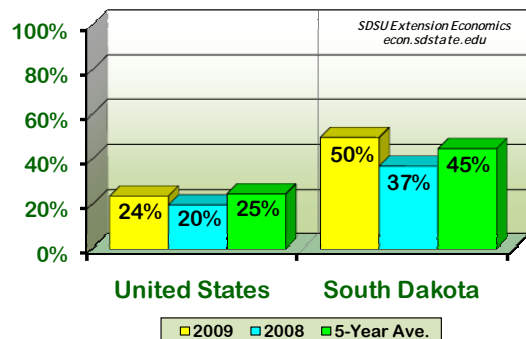
Daily SPRING WHEAT Futures
Minneapolis Grain Exchange



SPRING WHEAT
DAILY Cash - Futures - Basis
(South Dakota Average)



Winter Wheat: % Planted
(as of September 20, 2009)



The South Dakota average price for spring wheat late this past week was \$4.89 per bushel, 15 cents higher than a week ago.

The South Dakota average price for winter wheat last this past week was \$3.96 per bushel, 11 cents higher than a week ago.

The longer term outlook for wheat futures is bearish but in terms of spring wheat in South Dakota, it is interesting to note that the basis on cash spring wheat has narrowed considerably in the last several weeks, giving you an opportunity to make some sales. In the last few days of this past week, the basis has stabilized a bit and while that does not necessarily mean the narrowing trend is over, it may mean it is time for a quick call to your elevator manager to find out what price is being offered for spring wheat this next week. (see the chart above; Daily cash – futures – basis)

Whenever basis narrows to this degree, it means that the cash market has a greater demand for wheat than the futures market would indicate so it is a clear signal to think about making sales. However, you still have to decide if the price offered is one you can live with; remember that every time you make a sale, you give up something to get something else in return. Just as a point of reference, the statewide average price for spring wheat in South Dakota on September 8th was \$4.35; on September 24 the average price was \$4.89. This is a 54 cent increase over that time period. During the same time, the nearby December spring wheat futures contract gained only 12 cents. This means the cash market has given some added incentive for considering sales above and beyond what the futures market would indicate.

USDA's monthly supply and demand numbers from the most recent World Agricultural Supply and Demand Estimates report are summarized in a file that is linked below. For complete details, simply click on the link entitled, "Wheat Supply and Demand."

Wheat basis data and cash wheat price data for various regions of South Dakota is available by connecting with a link at the bottom of this page. To access the charts for your region of the state, just click on the links entitled "Spring wheat cash and basis charts" and "Winter wheat cash and basis charts". This basis information is compiled by the Economics Department at South Dakota State University.