

Grain Market Review

(As of Friday, October 9, 2009)

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

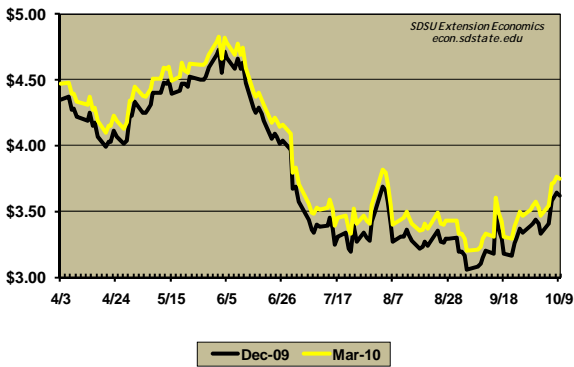
CORN

Chicago CORN Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	362	334	28
Mar	375	347	28
May	383	356	27
Jul	391	364	27
Sep	398	372	26
Dec	405	383	22
Mar	416	395	21

South Dakota Cash Corn			
	This Week	Last Week	Change
Cash bids	284-364	263-327	
Ave. price	314	299	15

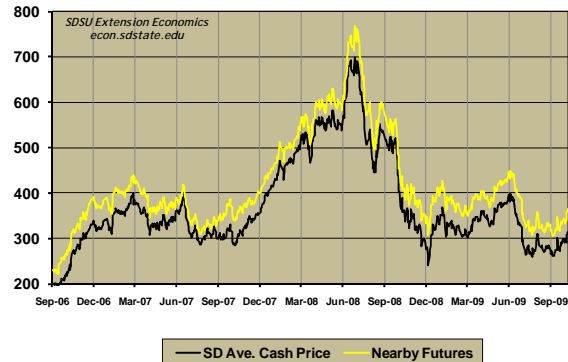
Other crops	S.D. Ave.
Sunflower	1123
Oats	172
Milo	250
Millet	550

Daily CORN Futures
Chicago Board of Trade

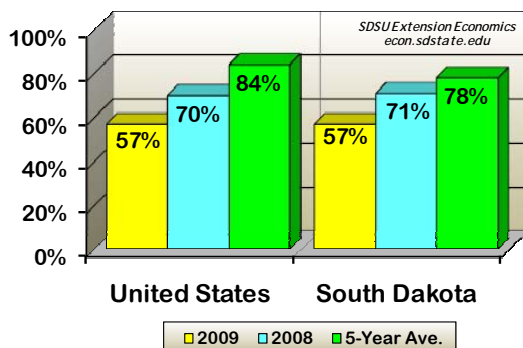


CORN

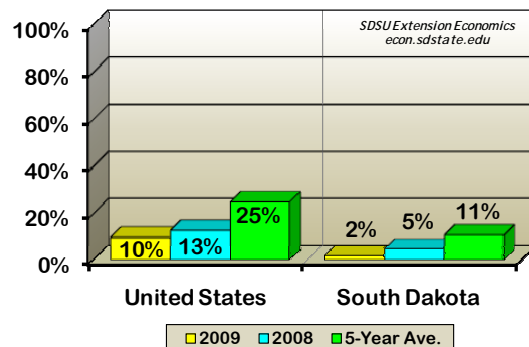
SD Daily Ave. Cash v. Nearby Futures
(September 2006 - Present time)



Corn: % Mature
(as of October 4, 2009)



Corn: % Harvested
(as of October 4, 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 \$3.14 per bushel, 15 cents higher than a week ago.

The first hard freeze came late this week in South Dakota and it's going to get even colder over the weekend. And, a freeze will certainly be on the way for the rest of the corn belt in a matter of a few days or a few weeks. As a matter of fact, by late Friday afternoon, all of Iowa and parts of northern Illinois were under frost advisories or freeze warnings. On Friday of this week, USDA reported in its October crop production report that corn production would increase by 64 million bushels over its September projection; a total of 13.018 billion bushels. The average pre-report estimate came in at around 12.993 billion bushels. With these projections and estimates all willing to put less stock over the concerns of an "early frost" on all the "late corn" in the U.S., should we believe these estimates? Yes. It's time to put the worries to bed about what a freeze will do to the national corn crop because it is nearly the middle of October and this is the time of year that it freezes. Sure, there will be some damaged corn and the impact, unfortunately will be more of a local issue rather than a larger impact on total U.S. production. We just have to let it freeze (we can't stop it anyway) and see how harvest plays out. 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.

One thing to consider for marketing corn in the months ahead is the current carry in the 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.

However, is there anything wrong with storing corn with no price protection? No...it just means you are willing to take on more risk. The market could stay flat or price could fall during the storage period. On the other hand, you have the chance to take advantage of higher prices over time if that should be the case if you store corn un-priced. You have to evaluate how much risk you can absorb, but again, there is nothing wrong with this strategy if you are willing to accept the risk.

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.

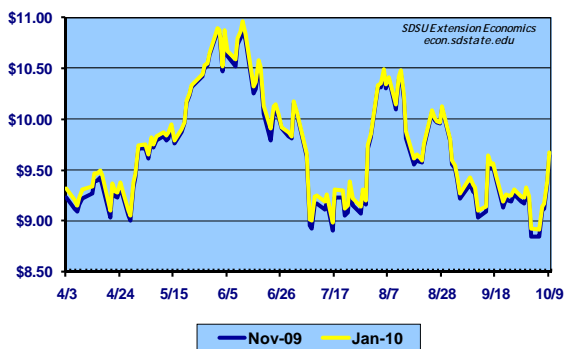
SOYBEANS

Chicago SOYBEAN Futures			
Futures Month	This Week	Last Week	Week's Change
Nov	964	885	79
Jan	967	892	75
Mar	968	895	73
May	965	894	71
Jul	964	896	68
Aug	960	892	68

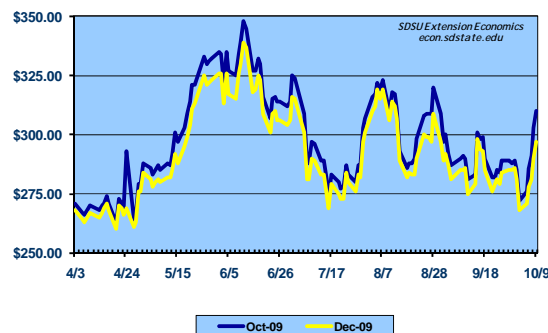
South Dakota Cash Soybeans			
	This Week	Last Week	Change
Cash bids	831-900	785-864	
Ave. price	876	830	46

Other crops	S.D. Ave.
Sunflower	1123
Oats	172
Milo	250
Millet	550

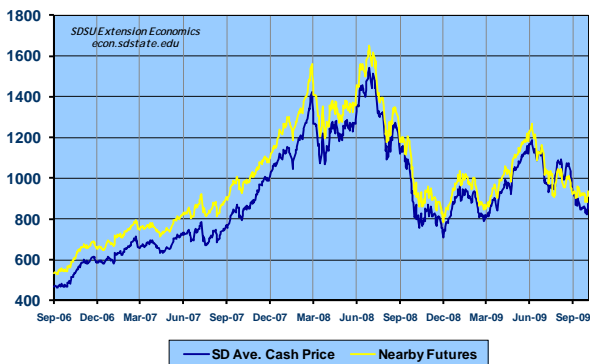
Daily SOYBEAN Futures
Chicago Board of Trade



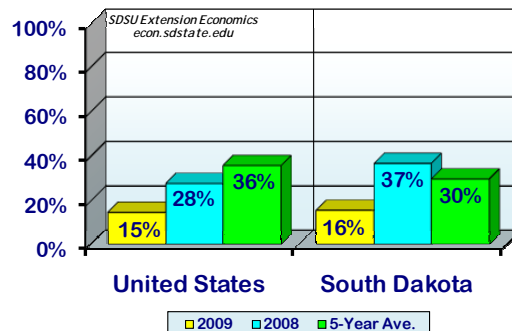
Daily SOYBEAN MEAL Futures
Chicago Board of Trade



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



Soybeans: % Harvested
(as of October 4, 2009)



Source: USDA - National Agricultural Statistics Service

The South Dakota average price for soybeans late this past week was \$8.76 per bushel, 46 cents higher than a week ago.

Soybeans had a good run this past week even with a somewhat bearish supply and demand report that was issued on Friday. In the early part of the week, soybeans and corn had a very strong day thanks to the first forecast of a very hard freeze that was anticipated for much of the corn belt. However, some of those forecast models

moderated a bit and by Friday morning, the northern plains were the first to get hit with a killing frost rather than the entire corn belt. However, by late Friday afternoon, all of Iowa and parts of northern Illinois were under frost advisories or freeze warnings as well, meaning that the growing season is about over...after all, it is nearly mid-October.

Later in the week, however, gains were due to the outside markets; a stronger crude oil market and a weaker dollar.

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	504	478	26
Mar	519	493	26
May	531	505	26
Jul	541	515	26
Sep	553	527	26

Chicago WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	468	441	27
Mar	487	461	26
May	502	474	28
Jul	516	486	30
Sep	531	500	31

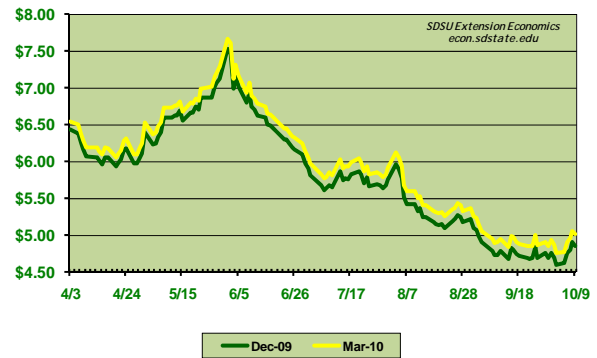
Kansas City WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	485	460	25
Mar	501	476	25
May	512	487	25
Jul	524	498	26
Sep	536	510	26

South Dakota Cash Spring Wheat			
	This Week	Last Week	Change
Cash bids	419-511	405-512	
Ave. price	487	482	5

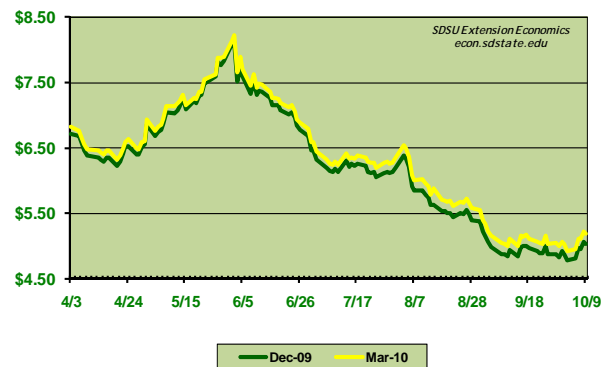
South Dakota Cash Winter Wheat			
	This Week	Last Week	Change
Cash bids	365-422	342-408	
Ave. price	403	383	20

Other crops	S.D. Ave.
Sunflower	1123
Oats	172
Milo	250
Millet	550

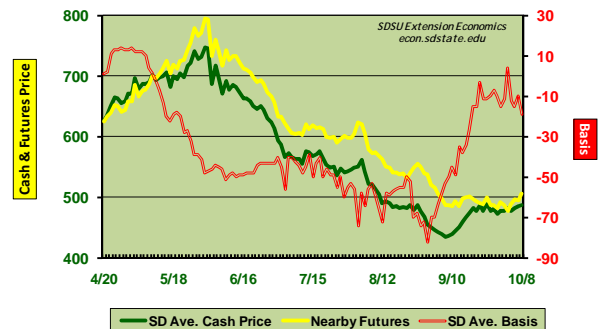
Daily WINTER WHEAT Futures
Kansas City Board of Trade



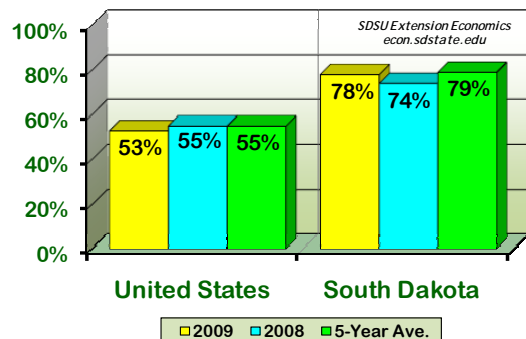
Daily SPRING WHEAT Futures
Minneapolis Grain Exchange



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



Winter Wheat: % Planted
(as of October 4, 2009)



The South Dakota average price for spring wheat late this past week was \$4.87 per bushel, 5 cents higher than a week ago.

The South Dakota average price for winter wheat last this past week was \$4.03 per bushel, 20 cents higher than a week ago.

Wheat futures had a very nice upturn this past week thanks to the strength in corn and soybean futures but the longer term outlook for wheat prices remains bearish. The monthly World Ag Supply and Demand Estimates report, (WASDE) was released on Monday and nothing seemed to point to anything bullish. Production estimates on wheat were raised by 36 million bushels, usage projections were lowered by 95 million bushels and the carryover supply rose over 120 million bushels to a nine year high of 864 million bushels. The growth in world supplies is a significant issue when it come to price as world production has outpaced demand. With sufficient world supplies, this has translated into U.S. export projections that are the second lowest in twenty years. World demand has grown only slightly this past year; and even with lower U.S. and world production this past year, carryover supply continues to grow. What this means is that when faced with even a fairly modest rally like the one of this past week, you might want to consider making some sales.

There is some fairly solid carry in both spring and winter wheat futures so you might want to consider a storage hedge on your wheat. At the current time there appears to be enough added value in each successive deferred contract to pay for storage so there is an incentive to store wheat as long as you are willing to price it now for delivery later. While carry in the market is an incentive to store wheat, 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 wheat 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 wheat 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.

However, is there anything wrong with storing wheat with no price protection? No...it just means you are willing to take on more risk. The market could stay flat or price could fall during the storage period. On the other hand, you have the chance to take advantage of higher prices over time if that should be the case if you store wheat un-priced. You have to evaluate how much risk you can absorb, but again, there is nothing wrong with this strategy if you are willing to accept the risk.

One other thing that is interesting to note in the spring wheat market is that the basis on cash spring wheat has narrowed considerably in the last month, giving you an opportunity to make some sales. In the last week or two, 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.

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.