

# Grain Market Review

(As of Friday, October 23, 2009)

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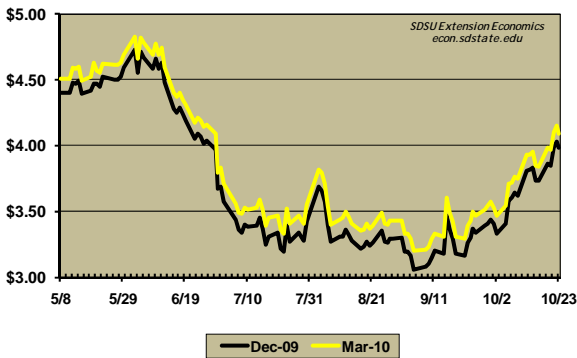
## CORN

<b>Chicago CORN Futures</b>			
Futures Month	This Week	Last Week	Week's Change
Dec	398	372	26
Mar	409	384	25
May	417	393	24
Jul	425	401	24
Sep	427	406	21
Dec	430	413	17
Mar	438	422	16

<b>South Dakota Cash Corn</b>			
	This Week	Last Week	Change
Cash bids	314-395	288-351	
Ave. price	352	319	33

Other crops	S.D. Ave.
Sunflower	1174
Oats	191
Milo	244
Millet	500

**Daily CORN Futures**  
Chicago Board of Trade

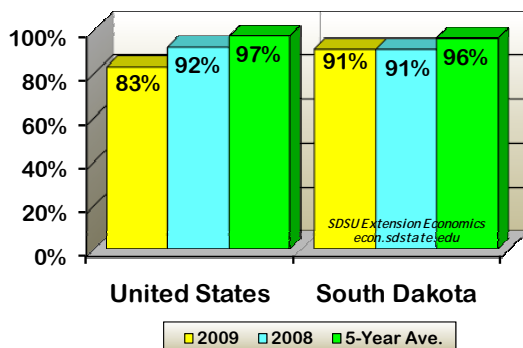


**CORN**

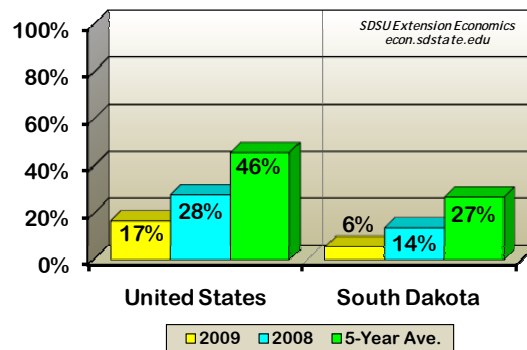
SD Daily Ave. Cash v. Nearby Futures  
(September 2006 - Present time)



**Corn: % Mature**  
(as of October 18, 2009)



**Corn: % Harvested**  
(as of October 18, 2009)



The South Dakota average price for corn late this past week was \$3.52 per bushel, 33 cents higher than a week ago.

With Halloween just around the corner, one is reminded of those things that can haunt you. One of the hazards in doing market outlook is that one's words can come back to haunt you and this is indeed the case this week. Just four weeks ago, I wrote the following closing paragraph for the Economic Department's newsletter, "Economics Commentator" concerning the outlook for grain prices into 2010: "Even though wheat harvest is completed and the corn and soybean harvest is just starting, this year's production will likely influence relative profitability through 2010. Although the mix of crop acres and total production in 2010 are unknown at this time, there is a risk that supplies could continue to grow after the 2010 harvest unless demand can strengthen beyond current expectations. This translates into the risk of longer term price weakness and uncertainty. For the short-term, however, it appears that the current projections of record or near record setting production and growing or steady carryover supplies will mean a bearish outlook for grain prices into next year."

When I wrote these comments, corn prices were at a 12-month low and by all appearances, were poised to remain fairly weak at least through the harvest period. That has certainly not been the case. On September 21<sup>st</sup>, December corn futures closed at \$3.16; on October 23<sup>rd</sup>, that same contract closed at \$3.98. Cash prices rose accordingly as well with statewide average cash price late this week near the \$3.50 mark, a full 70 cents higher than on September 21<sup>st</sup>.

What changed in the last four weeks? The obvious change is the weather. With corn and soybean harvest running as much as 40 percentage points behind the five year average, prices have responded to the concerns over yields and grain quality. At the same time, crude oil prices have risen by a little over \$10/barrel, the stock market has risen nearly 300 points, and the value of the dollar has continued its free-fall that began months ago. These factors have all contributed greatly to the current price upturn. While the outside markets are always at the forefront of any analyst's mind when trying to anticipate market performance, the combination of the outside markets and the unforeseen weather of the last four weeks certainly have combined to result in a strong pre-harvest rally.

At this point, it seems that weather will play an enormous role for the next 2-4 weeks depending upon when harvest can move into full gear. This factor alone will lend to continued volatility and uncertainty in this market. At the same time, could we still look longer term at a more bearish market outlook due to the concern over longer term demand and the potential for growing supplies of corn? That is certainly possible but the far more relevant fact right now is that corn prices are considerably higher for the reasons already mentioned.

Every corn and soybean producer's primary concern right now is to get the harvest done but in the meantime, do you have some plans to take advantage of this current market rally and/or to protect yourself against a market downturn when that time comes? Whatever the case, the market is giving you opportunities to capture higher prices now than were available just four weeks ago. There are a variety of pricing strategies to consider but each will depend on your comfort level in how to manage the current price risk. It would be nice to have the perfect crystal ball right now to know

exactly how this current price rally will play out but the perfect crystal doesn't exist. What you can do, however, is lay out your pricing plans, understand the advantages and disadvantages of different pricing strategies and carry through with a plan that helps you manage your 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.

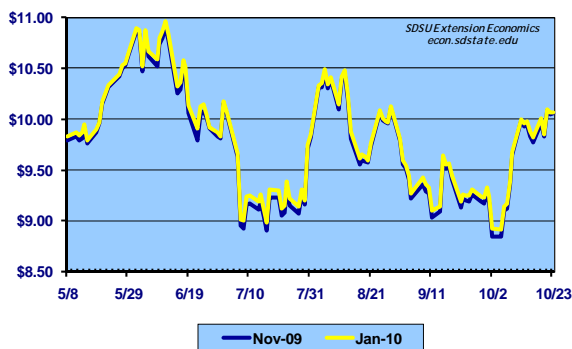
# SOYBEANS

<b>Chicago SOYBEAN Futures</b>			
Futures Month	This Week	Last Week	Week's Change
Nov	1006	977	29
Jan	1007	982	25
Mar	1007	985	22
May	999	982	17
Jul	997	982	15
Aug	993	981	12

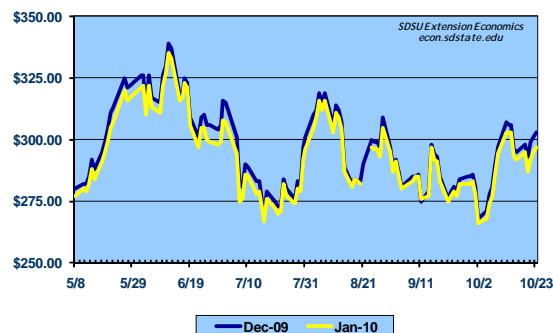
<b>South Dakota Cash Soybeans</b>			
	This Week	Last Week	Change
Cash bids	904-981	883-943	
Ave. price	944	922	22

Other crops	S.D. Ave.
Sunflower	1174
Oats	191
Milo	244
Millet	500

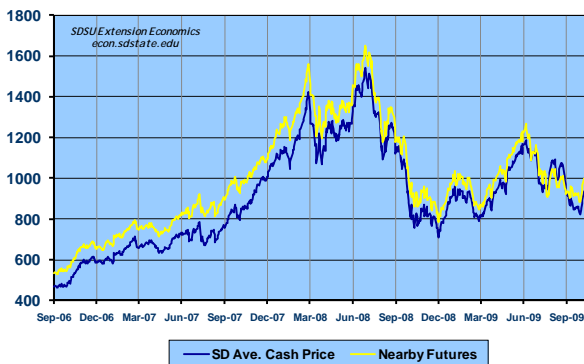
**Daily SOYBEAN Futures**  
Chicago Board of Trade



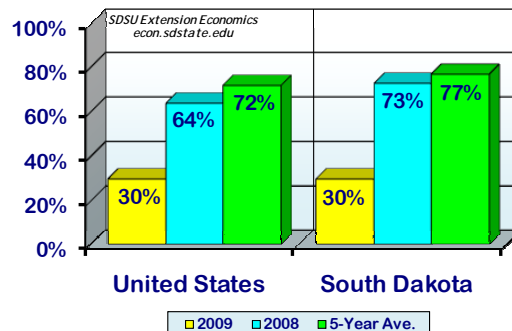
**Daily SOYBEAN MEAL Futures**  
Chicago Board of Trade



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



**Soybeans: % Harvested**  
(as of October 18, 2009)



Source: USDA - National Agricultural Statistics Service

The South Dakota average price for soybeans late this past week was \$9.44 per bushel, 22 cents higher than a week ago.

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."

With Halloween just around the corner, one is reminded of those things that can haunt you. One of the hazards in doing market outlook is that one's words can come back to haunt you and this is indeed the case this week. Just four weeks ago, I wrote the following closing paragraph for the Economic Department's newsletter, "Economics Commentator" concerning the outlook for grain prices into 2010: "Even though wheat harvest is completed and the corn and soybean harvest is just starting, this year's production will likely influence relative profitability through 2010. Although the mix of crop acres and total production in 2010 are unknown at this time, there is a risk that supplies could continue to grow after the 2010 harvest unless demand can strengthen beyond current expectations. This translates into the risk of longer term price weakness and uncertainty. For the short-term, however, it appears that the current projections of record or near record setting production and growing or steady carryover supplies will mean a bearish outlook for grain prices into next year."

When I wrote these comments, soybean prices had not yet reached the 12-month low and by all appearances, were poised to remain fairly weak at least through the harvest period. That has certainly not been the case. On September 21<sup>st</sup>, November soybean futures closed at \$9.13. On October 2<sup>nd</sup> that same contract had fallen to \$8.85. However, by October 23<sup>rd</sup>, the November soybean contract closed at \$10.06. Cash prices rose as well with statewide average cash price late this week near the \$9.50 mark, a full \$1.00 higher than on September 21<sup>st</sup>.

What changed in the last four weeks? The obvious change is the weather. With corn and soybean harvest running as much as 40 percentage points behind the five year average, prices have responded to the concerns over yields and grain quality. At the same time, crude oil prices have risen by a little over \$10/barrel, the stock market has risen nearly 300 points, and the value of the dollar has continued its free-fall that began months ago. These factors have all contributed greatly to the current price upturn. While the outside markets are always at the forefront of any analyst's mind when trying to anticipate market performance, the combination of the outside markets and the unforeseen weather of the last four weeks certainly have combined to result in a strong pre-harvest rally.

At this point, it seems that weather will play an enormous role for the next 2-4 weeks depending upon when harvest can move into full gear. This factor alone will lend to continued volatility and uncertainty in this market. At the same time, could we still look longer term at a more bearish market outlook due to the concern over longer term demand and the potential for growing supplies of soybeans? That is certainly possible but while projected supplies of soybeans are expected to be higher from the 2009 crop as compared to a year ago, the projected supplies are still far less than just a few years ago. This may only muddy the waters even more but the far more relevant fact right now is that soybean prices are considerably higher for the reasons already mentioned.

Every corn and soybean producer's primary concern right now is to get the harvest done but in the meantime, do you have some plans to take advantage of this current market rally and/or to protect yourself against a market downturn when that time comes? Whatever the case, the market is giving you opportunities to capture higher prices now than were available just four weeks ago. There are a variety of pricing strategies to consider but each will depend on your comfort level in how to manage the current price risk. It would be nice to have the perfect crystal ball right now to know

exactly how this current price rally will play out but the perfect crystal doesn't exist. What you can do, however, is lay out your pricing plans, understand the advantages and disadvantages of different pricing strategies and carry through with a plan that helps you manage your risk.

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

<b>Minneapolis WHEAT Futures</b>			
Futures Month	This Week	Last Week	Week's Change
Dec	561	527	34
Mar	578	543	35
May	591	553	38
Jul	603	564	39
Sep	615	577	38

<b>Chicago WHEAT Futures</b>			
Futures Month	This Week	Last Week	Week's Change
Dec	548	499	49
Mar	567	518	49
May	579	530	49
Jul	589	540	49
Sep	600	555	45

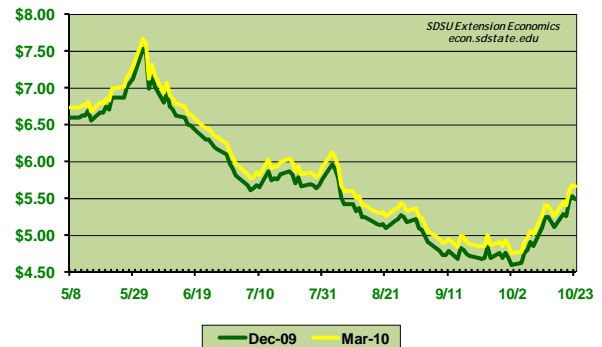
<b>Kansas City WHEAT Futures</b>			
Futures Month	This Week	Last Week	Week's Change
Dec	549	511	38
Mar	566	526	40
May	577	537	40
Jul	588	549	39
Sep	599	560	39

<b>South Dakota Cash Spring Wheat</b>			
	This Week	Last Week	Change
Cash bids	450-567	436-539	
Ave. price	543	506	37

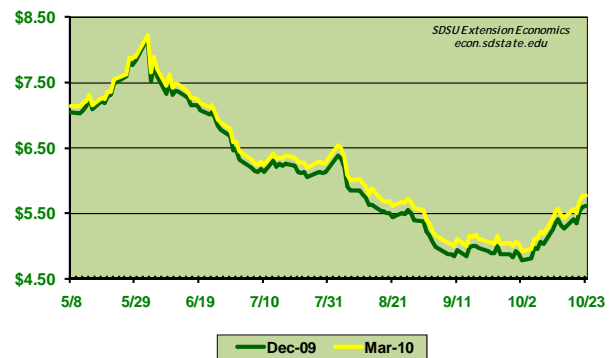
<b>South Dakota Cash Winter Wheat</b>			
	This Week	Last Week	Change
Cash bids	388-487	388-460	
Ave. price	465	433	32

Other crops	S.D. Ave.
Sunflower	1174
Oats	191
Milo	244
Millet	500

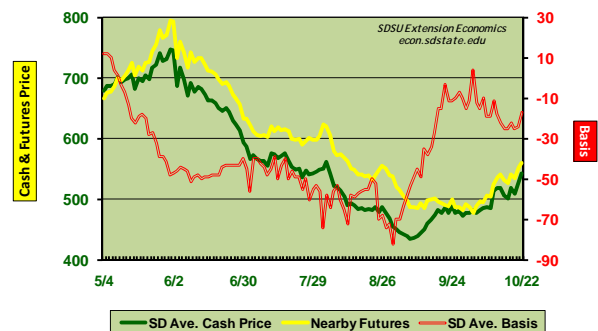
**Daily WINTER WHEAT Futures**  
Kansas City Board of Trade



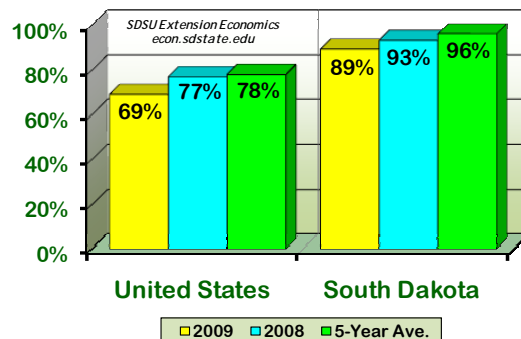
**Daily SPRING WHEAT Futures**  
Minneapolis Grain Exchange



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



**Winter Wheat: % Planted**  
(as of October 18, 2009)



The South Dakota average price for spring wheat late this past week was \$5.43 per bushel, 37 cents higher than a week ago.

The South Dakota average price for winter wheat late this past week was \$4.65 per bushel, 32 cents higher than a week ago.

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When I wrote these comments, wheat prices were only 10 cents away from reaching a 12-month low and by all appearances, were poised to remain weak due to very large projected domestic and world carryover supplies. That has certainly not been the case. On September 21<sup>st</sup>, the nearby spring wheat futures contract was valued at \$4.89; the winter wheat futures contract was valued at \$4.69. However, by October 23<sup>rd</sup>, the same spring wheat contract closed at \$5.61 and the winter wheat contract closed at \$5.49. Cash prices rose as well with statewide average cash price late this week for spring and winter wheat between 70 to 85 cents higher than on September 21<sup>st</sup>.

What changed in the last four weeks? The first thing that has to be said is that this recent price rally in wheat is, quite frankly, remarkable. The very large buildup in domestic and world supplies of wheat pointed to a wheat market that seemed destined to remain weak. However, thanks to the strong upturn in corn and soybeans, wheat has recently been viewed as a "good buy". Many in the trade felt wheat was undervalued compared to corn, soybeans, and other commodities so speculative investors looked at wheat as a viable investment. At the same time, crude oil prices have risen by a little over \$10/barrel, the stock market has risen nearly 300 points, and the value of the dollar has continued its free-fall that began months ago. These factors have also contributed greatly to the current price upturn.

At this point, it seems that weather playing havoc with the corn and soybean harvest will play an enormous role for the next 2-4 weeks depending upon when harvest can move into full gear. This factor alone will lend to continued volatility and uncertainty in those markets and indirectly in the wheat market as well. At the same time, could we still look longer term at a more bearish market outlook due to the concern over longer term demand and the growing supplies of wheat? That is certainly possible and may be the more likely scenario once we get past the row crop harvest. However, it is important to never argue with a rally because the far more relevant fact right now is that wheat prices are considerably higher for the reasons already mentioned.

The biggest question to ask at this point is do you have some plans to take advantage of this current market rally and/or to protect yourself against a market downturn when that time comes? We know how much wheat is out there...harvest has been done for a long time. Wheat producers don't have the same harvest worries as corn and soybean growers but you still have to think about what to do with the un-priced wheat you still have in the bin. There are a variety of pricing strategies to consider but each will depend on your comfort level in how to manage the current price risk. It would be nice to have the perfect crystal ball right now to know exactly how this current price rally will play out but the perfect crystal doesn't exist. What you can do, however, is lay out your pricing plans, understand the advantages and disadvantages of different pricing strategies and carry through with a plan that helps you manage your risk.

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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.