

GRAIN MARKET REVIEW

(as of November 3, 2006)

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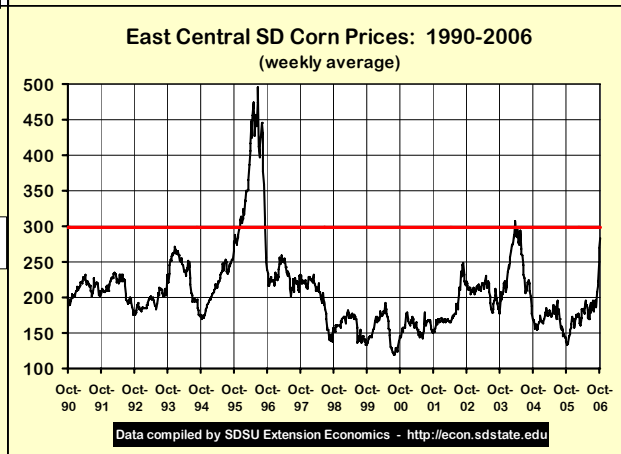
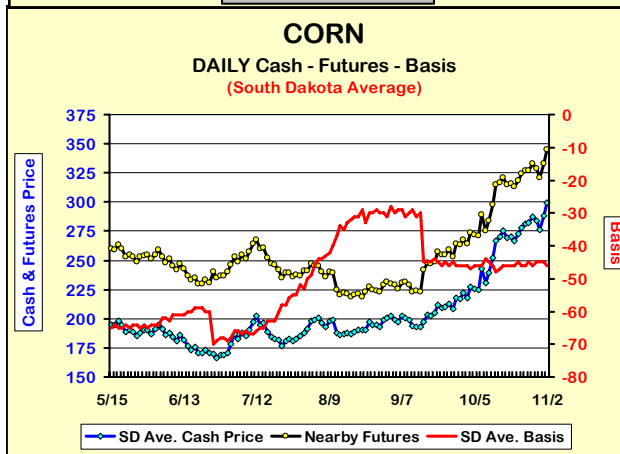
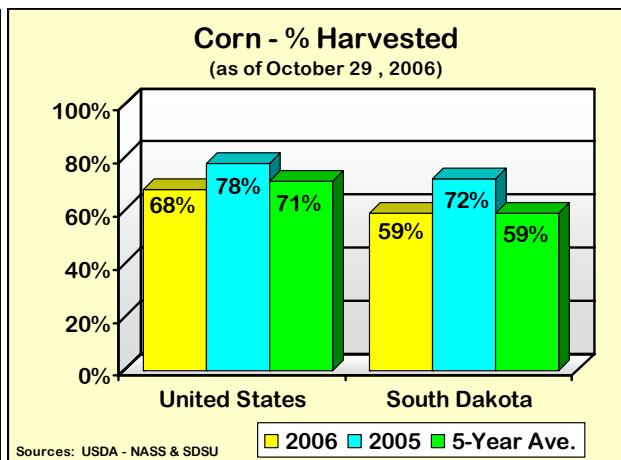
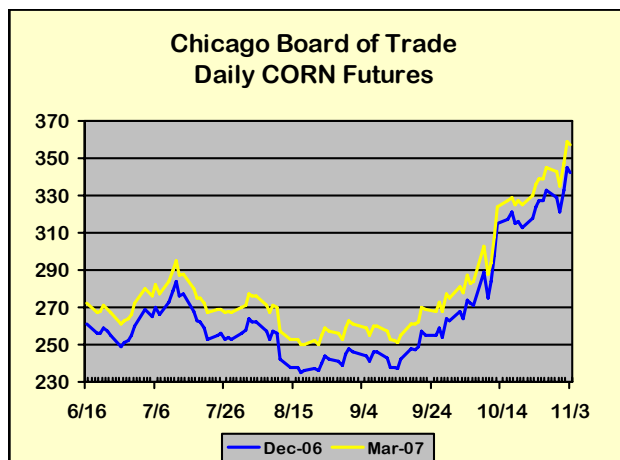
CORN

Chicago CORN Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	342	333	9
Mar	357	345	12
May	364	352	12
Jul	369	357	12
Sep	355	345	10
Dec	349	338	11
Mar	355	343	12

South Dakota Cash Corn			
	This Week	Last Week	Change
Cash bid	282-320	273-300	
Ave.	299	282	17

Other South Dakota Cash Grain Prices

Other crops	S.D. Ave.
Sunflower	1192
Millet	925
Oats	210
Feed Barley	200



Cash prices for corn in South Dakota ranged from \$2.82 to \$3.20 with a statewide average price of \$2.99, 17 cents higher than a week ago.

Last week, the point was made that as of October 26th, the average price of corn in South Dakota was \$2.82 per bushel. Well, as soon as one thinks that was a dizzying price for late October, corn prices moved even higher to a state-wide average \$2.99 by November 2nd. I made reference last week to the price chart above entitled "East Central South Dakota Corn Prices: 1990-2006 (weekly average) and I want to do so again this week. The red line on this chart represents the \$2.99 price for corn. Comparing the red line to the average price line, there has been only one year in the last sixteen years (1995) when the price of corn in South Dakota was at this level at harvest...one year in the last sixteen. No matter how you look at it, this price level is unprecedented at this time of year.

Although there is certainly the possibility that corn prices could move higher in the weeks ahead, don't sit on your 2006 corn assuming that \$4-5.00 corn is just around the corner and that 2007 corn will reach that price level as well. Now is the time to look at making sales of both old and new crop corn. There is no reason that a variety of sales method could be employed to take advantage of current price levels and setting price targets for both higher and lower prices at which to make sales to insure you have a chance to take advantage of further price rallies or to protect yourself against a price downturn. \$3.00 corn translates into greater than expected gross revenue. It speaks of the real possibility of profit; potential profit more than anyone might have expected. As noted last week, many South Dakota corn producers raised a much smaller corn crop than in past years, and for many it would not matter if corn were a dollar higher since total bushels produced were low enough that the revenue generated from \$3.00 corn would be difficult at best to translate into profit. However, for any producer that is harvesting corn this year, an average statewide price of \$3.00 simply cannot be ignored. While it may be tempting to simply bin as much corn as possible in anticipation of even higher prices, think about strategies that can take advantage of current price levels and protect you from falling prices. You might consider selling some corn now, and place a storage hedge on the rest you have in the bin. You might consider selling all your corn and stay out of the storage business the rest of the winter. You might consider selling your corn and re-own the crop on paper, either through the futures market or the options market. If you do decide to take the risk of storing corn with no price protection, at least keep in mind a "backstop" price; one in which you will begin making sales if prices should fall below current levels. The thing to remember is that revenue is the name of the game. Price times bushels equals revenue and it is important to know how much money you need from your corn to pay input costs and generate profit. If the revenue gained from sales right now translates into profit, there is nothing wrong with insuring profit on some of your corn right now.

Perhaps the most important thing to remember is that with every pricing method available, you will give up something to get something else in return. When you make the sale you will give up the chance for a higher price, but in return, you have established a floor price that protects you from falling prices. Very few people can hit the home run and sell all their corn at the highest possible price. What's important is understanding the language of historically high prices and having a marketing plan that gives you the best possible opportunity to make profitable sales over time.

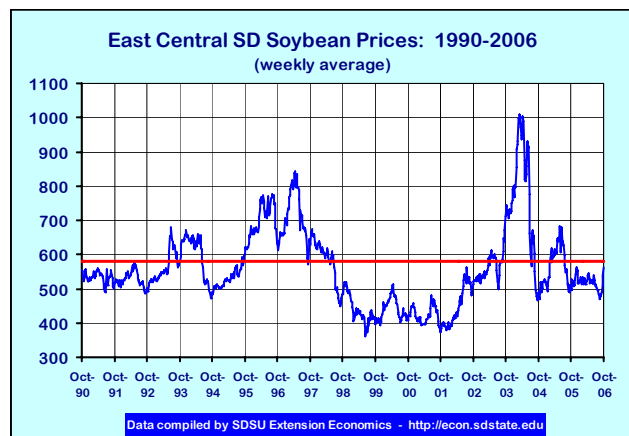
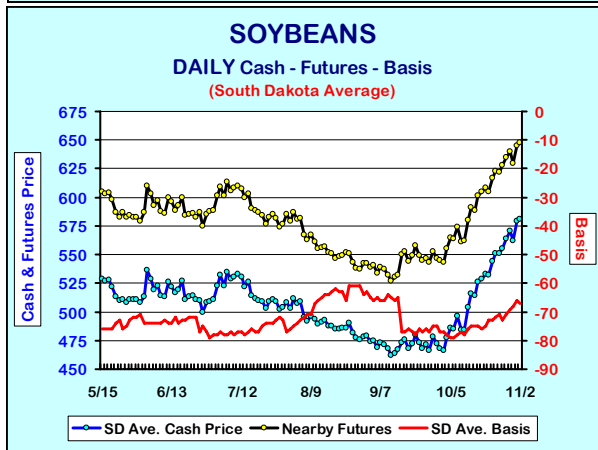
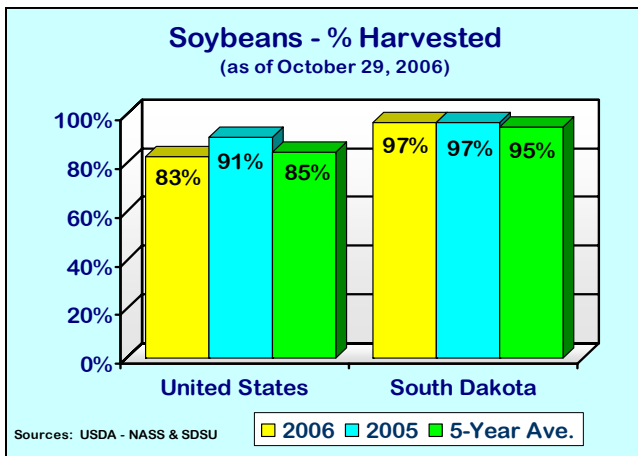
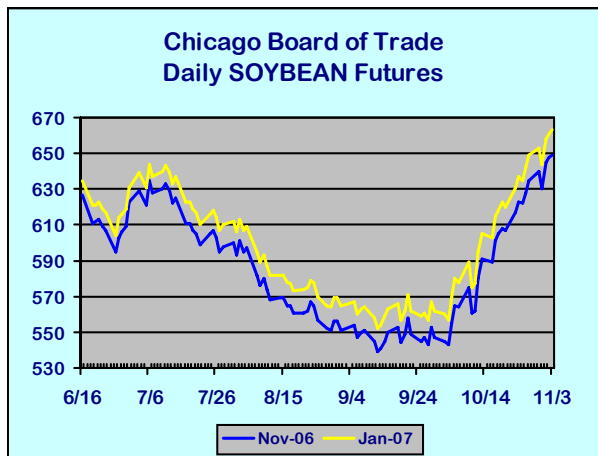
Corn basis data and cash corn price data for various regions of South Dakota is available by connecting with a link at the bottom of this page. To access the charts showing the corn basis and cash prices for your region of the state, just click on the link entitled “**Cash corn price and basis charts**”.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

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.**”

SOYBEANS

Chicago SOYBEAN Futures			
Futures Month	This Week	Last Week	Week's Change
Nov	649	635	14
Jan	663	649	14
Mar	674	658	16
May	682	663	19
Jul	687	670	17
Aug	691	673	18

South Dakota Cash Soybeans			
	This Week	Last Week	Change
Cash bid	563-604	541-578	
Ave.	581	555	26



Cash prices for soybeans in South Dakota ranged from \$5.63 to \$6.04 with a statewide average price of \$5.81, 26 cents higher than a week ago.

Soybean futures continue to go against the grain of what should be viewed as bearish fundamentals (large supplies) and continued their upward climb this past week. There was even some thought early in the week that soybeans were still under-valued compared to corn and wheat so that added to the positive nature of this market. Even though large supplies are still a concern from a bear's standpoint, there may actually be

more behind this rally in soybeans than just “beans going along for the ride”. With all the talk about corn going higher to buy acres to supply the growing demand, soybeans may be playing that same card and continue to do so as long as corn marches higher. Even with record domestic and world supplies of soybeans, can the soybean market sustain the possibility of an acreage loss to corn? If it cannot, then a price premium must be added into the market either to stem the flow of acres from beans into corn or to actually add acres of beans in 2007. This may be the battle of sorts that will have to be fought in the soybean and corn pits.

No matter why soybeans have moved over \$1.00 higher in the last six weeks, the positive nature of this market should not be ignored. With the average price of soybeans in the state late in the week at \$5.81, it must be remembered that six to seven weeks ago, the average price in the state was approximately \$4.60 per bushel. There is little question that one would rather sell soybeans in the \$6.00 range, but the current price does need to be viewed as one in which to consider making sales, if the price indeed means profit for your soybean enterprise.

As noted last week, the thing to remember is that revenue is the name of the game. Price times bushels equals revenue and it is important to know how much money you need from your soybeans to pay input costs and generate profit. If the revenue gained from sales right now translates into profit, there is nothing wrong with insuring profit on some of your soybeans right now.

Perhaps the most important thing to remember is that with every pricing method available, you will give up something to get something else in return. When you make the sale you will give up the chance for a higher price, but in return, you have established a floor price that protects you from falling prices. Very few people can hit the home run and sell all their soybeans at the highest possible price. What’s important is to understand the language of a market that has rallied to the extent this one has rallied. Now is the time to have a marketing plan that gives you the best possible opportunity to make profitable sales over time.

Pricing methods can range from the very simple to ones that are more complex. It is important that you evaluate the “what if” of any pricing method so that you fully understand what will happen if prices move higher or move lower. Listed below are just a few of the more common post-harvest pricing methods.

1. Sell soybeans at harvest. With current cash bids for soybeans in a range of \$5.63 to \$6.04, this method is a valid choice for selling soybeans. While this is certainly not a price range in the upper levels of the historical price range for soybeans, it certainly beats the cash price offers of just a few weeks ago. Selling at harvest eliminates storage costs and future downside price risk. However, this method eliminates the chance for achieving higher prices later on.
2. Put soybeans into storage at harvest with no price protection. This can be a higher risk alternative. If prices decline, the value of your soybeans in storage declines. However, this strategy can reap rewards. If prices move higher after beans are placed in storage, you can take advantage of the price increase. If the final selling price of your soybeans exceeds the breakeven price after storage costs, this strategy is viable. The

challenge here is deciding when to sell the soybeans once the beans are put into storage.

3. Store soybeans; enter into a cash forward contract that sets a price for future delivery of the soybeans. Evaluate if the price offered reflects a reasonable basis that is either based historical basis or if it reflects a reasonable basis based on local conditions and current supply/demand fundamentals. The futures carry and/or potential basis improvement must be sufficient to pay costs of storage during the storage period.

4. Store soybeans, use hedge-to-arrive (HTA) contract to establish price for future delivery. This strategy allows you to set a futures price but leave the basis open until a later date. An HTA gives you downside price protection on the futures board while you wait to establish basis. This strategy has basis risk but is typically less risky than no price protection at all. The disadvantage with this strategy is that you cannot take advantage of futures price increases once this contract is established.

There are other valid selling strategies for selling your 2006 soybeans that can involve the storing or selling of cash soybeans combined with the use of futures or options. There are also a variety of other types of deferred pricing contracts available through your local elevator or processor. To obtain information involving these strategies, contact your local county extension educator, broker, or local grain buyer.

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

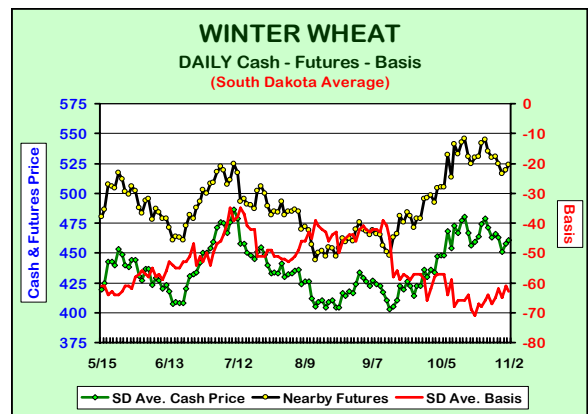
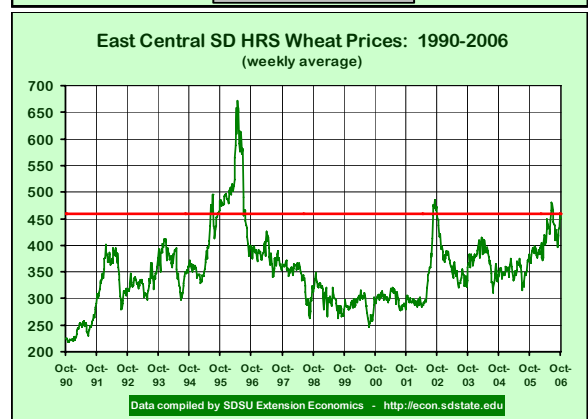
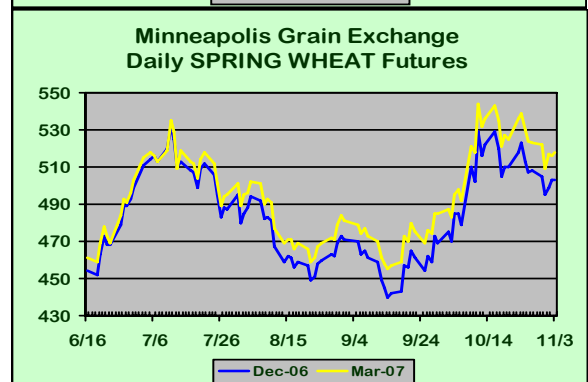
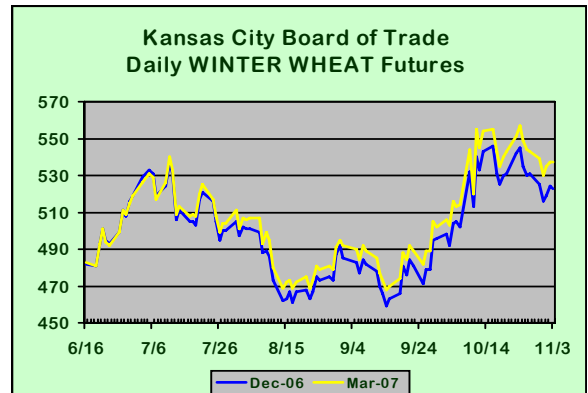
Minneapolis WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	503	508	-5
Mar	518	523	-5
May	521	526	-5
Jul	512	515	-3
Sep	480	479	1

Chicago WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	493	509	-16
Mar	514	525	-11
May	498	505	-7
Jul	469	467	2
Sep	469	465	4

Kansas City WHEAT Futures			
Futures Month	This Week	Last Week	Week's Change
Dec	523	531	-8
Mar	537	543	-6
May	525	527	-2
Jul	482	483	-1
Sep	484	485	-1

South Dakota Cash Spring Wheat			
	This Week	Last Week	Change
Cash bid Ave.	442-487 459	441-487 458	1

South Dakota Cash Winter Wheat			
	This Week	Last Week	Change
Cash bid Ave.	433-480 461	455-492 463	-2



Cash prices for spring wheat in South Dakota ranged from \$4.42 to \$4.87 with a statewide average price of \$4.59, one cent higher than a week ago. Cash prices for winter wheat in the state ranged from \$4.33 to \$4.80, with an average statewide price of \$4.61, two cents lower than the average price from a week ago.

This was the third week in a row of lackluster performance in wheat futures, creating a market that has shown a volatile but steady downtrend since mid-October (see wheat futures charts above). This may be a signal that the very tight domestic and world supplies are sufficiently built into this market, giving the demand side of the equation the front seat in determining price direction. It will be important to watch news of export volume particularly to see if exports will match or exceed USDA's current marketing year projections.

Even though prices have weakened in wheat a bit, it must be noted that prices for winter and spring wheat in South Dakota are still in the upper levels of the historical price range (see chart above "East Central Spring Wheat Prices: 1990-2006 (weekly average). The red line represents the mid-week value of \$4.53/bushel in east central South Dakota). There is still a great opportunity to make wheat sales for both 2006 wheat and 2007 wheat. As noted last week, while it may be tempting to simply bin as much wheat as possible in anticipation of even higher prices, think about strategies that can take advantage of current price levels and protect you from falling prices.

You might consider selling some wheat now, and place a storage hedge on the rest you have in the bin. You might consider selling all your wheat and stay out of the storage business the rest of the winter. You might consider selling your wheat and re-own the crop on paper, either through the futures market or the options market. If you do decide to take the risk of storing wheat with no price protection, at least keep in mind a "backstop" price; one in which you will begin making sales if prices should fall below current levels. The thing to remember is that revenue is the name of the game. Price times bushels equals revenue and it is important to know how much money you need from your wheat to pay input costs and generate profit. If the revenue gained from sales right now translates into profit, there is nothing wrong with insuring profit on some of your wheat right now.

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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 showing the wheat basis and cash prices 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.