April, 2020

Volume 1, Issue 1

Bringing you the latest in the grain markets to keep you connected to your cooperative

Premier Cooperative

Grain Bin Bulletin

Market Update, 4/6/2020

Doug Cropp

The last month has not been the greatest for most grain marketing plans.   The combination of both the futures price and the basis dropping in corn has been difficult to take. Soybeans are trading lower as well, but the demand hasn't dropped off as much as it has in corn.

The biggest reason for the basis decline in corn is the low price of crude oil and the lack of gasoline demand. With much of the population practicing social distancing and many working from home or not working at all the demand for gasoline has dropped considerably creating negative ethanol margins.   This has forced many ethanol plants to cut production or close all together.   It may be a while before that improves.

The cash price you receive for your grain is made up of two values. The futures price and the basis. The two values added together create the cash price you receive at the elevator. When the demand is greater the basis will tend to get stronger, when demand isn't there the basis will tend to get weaker.

We have seen local basis values on cash corn drop from single digit positive basis to double digit negative basis in just a few weeks. Once again this is due to the lack of nearby local demand from the processors.

We don't know how long this COVID-19 will last and when the market will recover. What we do know is that every day the ethanol plant doesn't run there are more corn bushels that are not being used and will need to go somewhere.   At some point the ethanol market will recover but that could be way down the road.   With more old crop corn supplies carried forward and potential for large new crop harvest the basis for fall delivery could be pressured as well. While the new crop basis values are not exceptional and are well below what we saw last year, they are close to historic values for this time of year. If interested, give us a call and we can discuss basis values in detail and how it may fit in your marketing decision.

The other thing to remember when the markets continue to go lower is to not put your head in the sand and not pay any attention to the marketing side. We still have some contracting options available that might work, and we can help with realistic price targets. Just when you think the market can't go any lower it can. Plus having realistic targets in place for when the market does improve is important as those opportunities can be short lived.

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GRAIN BIN BULLETIN

CURRENT MARKETING OPPORTUNITIES

TANNER SALTSGAVER

I agree with Doug on Basis for corn while these numbers are not last years they are in that historical range. While we have a long way to go in this growing season the current environment has created a very volatile market. My opinion on the corn market is different then the bean market.

Corn, I can see a situation for the market to go either way. If we are true to the acres planted and we get the crop in the ground in good timing a lot of pressure on this market. The fact that ethanol demand is down and oil prices are as we could be facing much lower prices. If we have a planting or growing season issue there could be some relief in the market, but I have a hard time believing it will return to levels we were initially thinking. This is cause for us to look at some opportunities at the current moment along with putting in offers for sales at levels that will work with the new expected actions. I think there should be a blend of marketing options that work towards higher prices than current markets and ones that set some floors incase this bear market continues.

Beans, the fact that China has come to the table recently with other countries shutting down exports has been somewhat promising. I am more bullish on bean than I am corn now. While the programs we are looking at for corn now do not offer the same level of opportunities for beans. I believe beans offers should be layered in and if your opinion is bearish still look at setting some floors. We may want to seek some downside protection just incase this market continues south but, I feel there is more upside opportunity for soybeans.

We have many tools available to use to get some pricing done and having open offers in at realistic levels to start some sales may be a good idea.

Below are some price ranges for corn opportunities that we can offer currently. Many of these contracts are at little or no cost to the farmer.

If you are interested in these numbers, or have any other marketing questions, please contact your current Farm Marketing Specialist or settlement locations and they will gladly assist you.

Corn upside potential prices	**Corn floor protection prices**
July 20- $3.40 to $3.50	July 20- $3.20 to $3.30
Dec 20- $3.65 to $3.75	Dec 20- $3.40 to $3.50
July 21- $3.80 to $3.90	July 21- $3.60 to $3.70
Dec 21- $3.80 to $3.90	Dec 21- $3.50 to $3.60

***Prices subject to change with market movements.