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Central South Dakota Corn and Soybean Basis Comparison: 1990-2000

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Extension **Extra**

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Economics

COLLEGE OF AGRICULTURE & BIOLOGICAL SCIENCES / SOUTH DAKOTA STATE UNIVERSITY / USDA

Central South Dakota

Corn & Soybean

Basis Comparison: 1990-2000

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Basis levels for corn and soybeans in central South Dakota have changed during the decade of the 1990's. The central region includes the counties of Aurora, Beadle, Brule, Buffalo, Hand, Hughes, Hyde, Jerauld, and Sully.

The following charts contain the average weekly basis for corn and soybeans for 1990-94 and for 1995-2000. A third chart contains the production history of corn, soybeans, and wheat in central South Dakota for the same time period.

The basis values in these charts were calculated weekly by subtracting the closing futures price of the nearby futures contract from the relevant average cash price in central South Dakota. The average cash price is derived from selected locations in central South Dakota. Since cash prices in South Dakota are typically lower than futures prices, a negative number reflects basis values in South Dakota. Basis data are collected each Thursday by the SDSU Economics Department.

Data for 1996 were not included in the corn basis analysis due to positive basis levels during the summer of 1996. Data for 1997 were not included in the soybean basis analysis due to positive basis levels during the late summer of 1997. A

positive basis value occurs when the cash price of a commodity is actually higher than the nearby futures price.

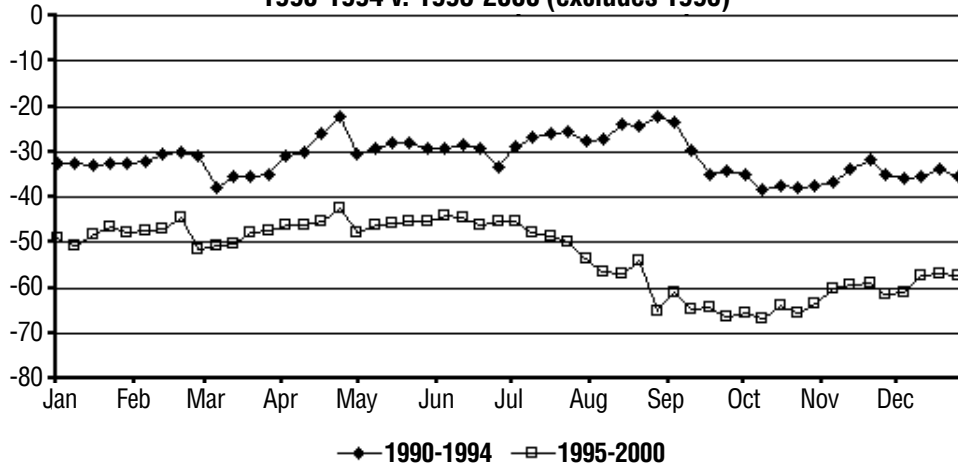
Positive basis values for corn and soybeans are rare in South Dakota yet this was the case for corn in the summer of 1996 and soybeans in the late summer of 1997. In both instances, this positive basis was due to very tight supplies and strong demand in the area.

Depending upon the time of year, corn basis widened 12 to 43 cents in the latter years of the 1990s in central South Dakota. Soybean basis widened the most during the harvest period. During the late spring and summer months, soybean basis tended to narrow to nearly the same levels as the first half of the decade.

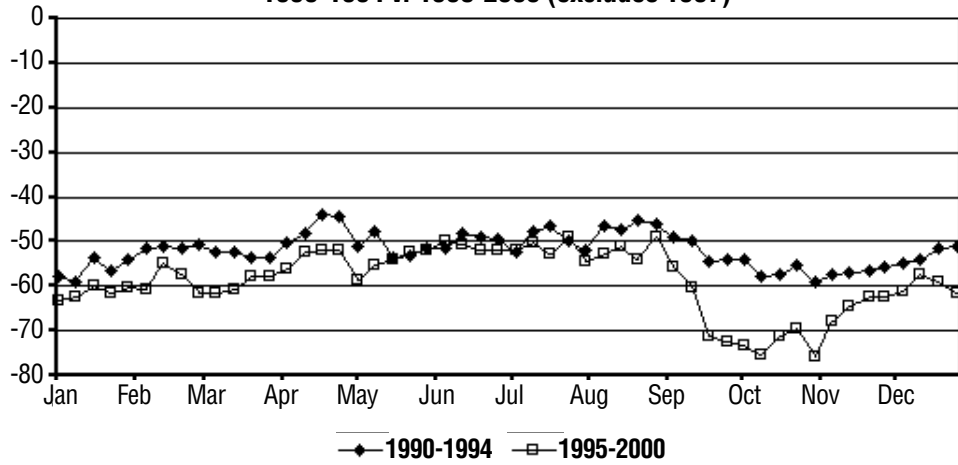
Possible factors contributing to the widening basis levels of corn and soybeans include the following: increased production of corn and soybeans in both South Dakota and the U.S. over the course of the last decade, added pressure on transportation and storage, higher fuel costs, and increasing overhead and operating costs of grain handlers.

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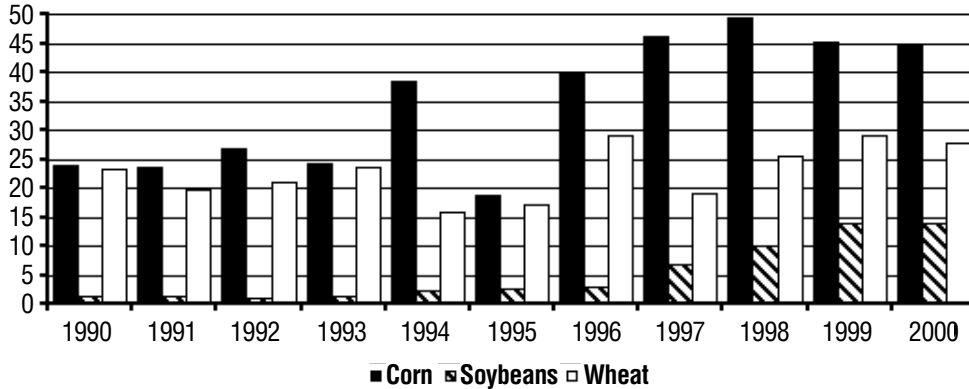
**Central South Dakota Corn Basis Comparison
1990-1994 v. 1995-2000 (excludes 1996)**



**Central South Dakota Soybean Basis Comparison
1990-1994 v. 1995-2000 (excludes 1997)**



**Central South Dakota Grain Production: 1990-2000
(in million bushels)**



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