The March 29 USDA Prospective Planting and Quarterly Grain Stocks Reports rocked the corn futures markets. Planted corn acreage was projected at 92.8 million acres, slightly above trade estimates.

And, according to the Grain Stocks, all positions report as of March 1, 2019, totaled 8.60 billion bushels, down 3 percent from March 1, 2018. Of the total corn stocks, 5.13 billion bushels were stored on farms, up 3 percent from a year earlier, while off-farm stocks were at 3.47 billion bushels, down 11 percent from a year ago.

The trade had anticipated a total corn stocks number closer to 8.3 billion bushels. Implied disappearance in the second quarter was only 3.33 billion bushels, down a surprising 9.3 percent from the same quarter during the previous year. Exports slowed in the second quarter as well as corn use for ethanol. Dry-Distillers Grain (DDGS) production was down due to plant closures, but exports slowed during the quarter. These numbers did not reflect the impact of March flooding.

On March 29, the corn futures contracts declined by about 17 cents per bushel. Since then, the nearby May contract lost 33 cent per bushel. The life-of-contract low of $3.42 ¼ cents per bushel occurred on April 25. Commodity funds were more than 300,000 contracts short on corn – a record.

Basis Opportunities

With the steep drop in nearby corn future prices during April, corn buyers were forced to improve their basis bids. Basis is the local cash price minus the nearby futures. Thus, the actual cash price only dropped about half that of the futures price. Basis bids for the Western Corn Belt basis improved by nearly 15 cents per bushel on average during April.
The darkest line in the graphs below are the 3-year corn and soybean basis averages for the Western Corn Belt. The highest vertical line on the corn graph reflects an average corn basis of -5 cents per bushel. This is a much more attractive basis than we’ve seen in previous years.

### Basis Trends

![Western Corn Belt Graphs](source: roachag.com, April 26, 2019)

A few eastern Iowa processors were even offering a positive basis for delivery of corn during the last half of April and first half of May. While Brazil is expected to have large quantities of corn available for export, the availability is still 1 to 2 months away.

As of late April, there’s still potential still for many Corn Belt acres to be platted later. Expect short-covering of corn futures contracts to occur. However, the May corn futures contract goes into delivery around April 30. Thus, the nearby contract will become the July futures.

### Strategies for Capturing Corn Basis

The best corn basis for the entire marketing year will likely occur this spring. By mid-June, that basis will be much larger (weaker) as processors don’t need to push cash prices higher as compared to nearby futures.

Time constraints farmers and local co-ops had in April and May won’t be of concern. A farmer can capture this basis but will need to deliver the corn. The frustration is the futures price, so consider retaining ownership in those bushels using the July corn futures contract.

Two primary tools help capture the potential for an increase in the nearby July contract. One is to buy a July corn call option, preferably as close to “at-the-money” as possible. The other tool is a basis contract, also called a fix futures later contract, but leaves downside price risk open.

### Futures Price Objectives

The July 2019 corn futures contract traded at life-of-contract low of $3.51½ on April 25. A farmer that is “long the July” should have a price objective in advance. Using the July chart below, the two areas of resistance is $3.75 and $3.90 per bushel.

![July’19 Corn Futures Graph](source: jimwyckoff.com, April 26, 2019)

### Marketing Plans

Farmers using basis or minimum price contracts should make sure they understand the implications for long futures. The time objective for the July call option will be June 21, the expiration deadline. For the basis contact, the time objective is the first notice day of that contract, around June 28. Communicate with your grain merchandiser and/or commodity broker well in advance of these dates.