Does Storing Unpriced Corn and Soybeans Really Pay?

As you drive around Iowa and surrounding states, you’ll notice many elevators and co-ops have large bunkers of corn stored temporarily outside with covers. In addition, a record number of farmers are storing bushels temporarily in white ag bags. Ask yourself, “How will they make money on those stored bushels?”

The answer is simply that grain merchandisers lock-in futures price carry, understand their local basis, and know they have a relatively low cost of grain ownership. Elevators and co-ops do not take futures price risk. When they buy corn from a farmer they plan to store, they sell the underlying futures contracts that represent those bushels. When the bushels are processed or delivered, they buy back those contracted bushels in the same futures contract month. They’ll often roll their futures contracts forward to maximize futures carry.

Futures Carry

Futures price carry is the difference between nearby corn or soybean futures and the more distant or deferred months of March, May and July. September is a quasi-new crop month for corn.

There’s currently carry in the futures markets. However, carry alone is rarely enough to justify storing unpriced bushels, especially when comparing commercial storage costs plus accrued interest.

As of Friday, Dec. 7, 2018, corn futures carry was 14¢ comparing March to July closes rounded to the nearest whole cent. Soybean carry was 36¢ comparing December to July futures. How much would it cost you to store corn and soybeans on-farm or commercially? It would be nearly impossible to pay commercial storage plus interest to justify futures carry alone. You’d need improved deferred futures prices and strengthened basis.

Basis trends

Basis is simply the local cash price minus the nearby futures contract. It reflects the local supply and demand for corn and soybeans and can vary by grain buying facility. These line graphs examples are of corn and soybean basis trends at a central Iowa elevator versus the March futures contracts each year since the 2014 crop. The lines begin with harvest in mid-October and ends approximately March 1 when the contract goes into delivery.
The dark line updated through Nov. 28 reflects the 2018 basis trends. Compare it to the other 4 years and the corn basis at this elevator is deemed “strong.”

The comparison for soybean basis below would suggest that the soybean basis is “weak.”

Source: Iowa Commodity Challenge, November 2018

### Soybean Basis Trends, March Futures

**Central Iowa Elevator**

Note that on-farm storage line (checked) is estimated at 1¢ per bushel per month while commercial storage line (dots) is 16¢ for the first 90 days and 2.8¢ per bushel for each month thereafter. The darker solid lines are anchored to the cash price bids at harvest and continue weekly. Storage charges will vary depending on your own on-farm storage facilities and local elevator or co-op charges.

Bushels stored on-farm have a better chance of being sold above the cost of ownership than do those bushels stored commercial. If recent history is any indication, the likelihood of selling those cash bushels above the cost of ownership lines will be limited if delivering to that elevator. Significant futures price increases (more likely in the spring months) along with basis appreciation will both likely be needed to benefit the cash prices being offered and provide a margin above the cost of ownership.

Source: Iowa Commodity Challenge, November 2018

### Soybeans: Cost of Ownership Trends

**Central Iowa Elevator**

### Conclusion

Understanding futures carry, local basis, and your cost of grain ownership are important considerations in determining if and for how long to store unpriced corn and soybeans. Consider using a variety of marketing tools – including basis or minimum price contracts – so you can eliminate storage costs and lock-in the basis, if attractive. You can still participate in a futures price rally when using the deferred contract months (May or July). However, if you make delivery for cash sales in the winter months, you won’t capture the full futures price carry offered in those deferred contract months.