During September and October 2019 nearby corn and soybean futures prices have been in a trading range. The harvest lows occurred on Sept. 9 and highs on October 14. That range was 48¢ for the December corn and 94½¢ for November soybeans, respectively.

Expect that range to continue for the foreseeable future. In addition to the supply uncertainty of U.S. crop size, there’s a lot of demand uncertainty regarding Chinese trade, lack of approval for the new USMCA trade agreement, and Renewal Fuel Standards (RFS) small refiner waivers. Futures markets typically don’t like uncertainty, and, as a result, commodity funds are reluctant to take additional futures positions that can drive prices higher.

Rather than try to outguess the futures markets, evaluate the existing futures and local cash price and focus on the basics: basis, carry, and the cost of grain ownership.

**Basis**

As of Oct. 28, the DTN national basis index was -16¢ for corn and -67¢. These are relatively attractive basis levels, especially compared to the harvest of 2018. The number is compiled by subtracting nearby December corn and November soybean future prices from the DTN National Corn and Soybean Cash Indexes. The delayed harvest, lack of farmer cash sales, and encouraging news on Chinese trade have likely contributed to this stronger basis in October.

That basis will vary greatly across the corn belt. Where large supplies of new crop are readily available, the basis opportunities will not likely be near as attractive.

**Futures Carry**

Carry is the difference between nearby futures and the deferred futures prices. The market uses carry to provide an incentive for owners to either deliver or hold their inventory away from the market. As of late October, futures carry between the nearby contracts, and the July '20 contracts are 24¢ per bushel for corn and 48¢ per bushel for soybeans. The carry at harvest for both crops is smaller than this time last year.

**Cost of Grain Ownership Considerations**

The bar graphs below compare the cash bids as of Oct. 28 at a central Iowa elevator for the next 9 months. The cost of ownership is compared using the lower dark line (on-farm storage) at 1¢ per bushel per month. The upper dashed line reflects a 16¢ per bushel for the first 90 days and 2.8¢ per month period. Both lines reflect interest accruing at 6.25% interest on current cash bids for $3.50 per bushel corn and $8.45 per bushel soybeans, respectively.
Locking-in Carry

Check your own local cash bids and determine your cost of grain ownership. As harvest wraps up, basis tends to strengthen and could provide an opportunity to “lock-in” that futures carry.

And, consider using a hedge-to-arrive contract (HTA). HTAs are provided by almost all processors, terminals, and elevators for bushels you agree to deliver. They’re priced against a deferred futures contract price, says the May or July contract. There could be a small fee of 1¢ or 2¢ per bushel for this contract that will be subtracted from the final cash price.

An HTA contract removes the margin risk to a producer in the event of significant futures price move higher. It places that obligation on the buyer of those bushels to make margin calls. The contract will also lock a producer into a delivery location during a designated time frame.

On-farm storage helps make locking-in-carry much easier. Commercial storage costs will eat up most of the carry offered and don’t eliminate futures or cash price risks. Re-ownership of those bushels is still possible using either long futures or call options.

Cash Flow Concerns

If you know cash flow is already going to be a problem, focus now on understanding other crop marketing strategies and tools. With more farms facing cash flow constraints this fall, consider the delivery of bushels at or soon after harvest. Communicate with your grain merchandiser regarding how various marketing tools could be used to shore up your cash flow needs and avoid additional storage and interest costs.

For bushels you plan to store, the USDA Farm Service Agency (FSA) offers a low-interest, 9-month non-recourse marketing loan on harvested grain. Note that county loan rates increased in 2019 as a result of the new farm bill. The loan amount is dependent upon bushels committed and those county loan rates. The new national loan rates are $2.20 per bushel for corn and $6.20 per bushel for soybeans, respectively. On-farm stored bushels will need to be measured, and commercially stored grain be placed under a warehouse receipt. Thus, the marketing loan program is not necessarily a marketing strategy for cash grain, but access to cheaper interest rates for up to 9 months.

Have a Harvest Marketing Plan

For unpriced bushels at harvest, producers should set reasonable futures price objectives and sell bushels incrementally as the futures market moves higher. An attractive basis can help make this decision easier for the 2019 crops.

Consider using the January ’20 soybean futures contract at harvest where an additional 14¢ to 15¢ carry exists. This will allow two additional months for the processor and perhaps elevator basis improvements and avoid long-term on-farm or commercial storage costs.