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## **How Would You Buy Corn and Soybeans?**

By Chris Lehner (Sept 26)

What would you do if you were a grain buyer and you knew that you were about to become covered up and you were not able to sell the corn and soybeans you bought? Grain buyers know there is a cost of ownership and costs to carrying grain. If they buy corn or soybeans without enough orders to sell it, they are going to make sure they won't pay the costs of ownership.

So, to discourage farmers from selling, they might close early or take grain only a few days during the week, but then they run the risk farmers going someplace else and could end up losing a customer when they need grain. Now, because all buyers are doing the same, buyers have widened the basis and have extended the carry.

A wide basis at harvest works. Farmers, if they can store, won't sell. Right now, the extremely wide soybean basis makes farmers feel like money is being taken right out of their pockets, especially farmers without their own storage and they either have to sell and take the basis or pay fees for storage.

When a farmer sells grain, when the buyer can't re-sell it, a wide basis absorbs the costs for the buyer to carry it. Of course, there are farmers that do the same as the grain buyer does when storing. They hedge with futures or forward contracts, especially if the basis is narrower in the future. Unfortunately, far too many farmers store and hope markets will rally. On September 28<sup>th</sup> there will be the USDA Quarterly Grain Stocks report. We will find out how much old crop has been stored and will be added into the new crop. It won't surprise me to see a record number of soybeans carried over from the 2017 harvest.

The June 29, 2018 Quarterly Stocks report had corn stocks at 5.31 billion bushels and soybean stocks totaling 1.22 billion bushels, which was a whopping 26 percent increase above soybean stocks a year earlier. Corn basis throughout the past summer was wider than normal, but nowhere near as wide as soybeans. If soybeans were stored at facilities off the farm where costs were about 5 cents per month and fees around 25 cents, it is likely they were sold. But soybeans in farm storage bins, where many farmers for some reason don't calculate costs to carry, and had stored on farm 13 percent above 2017, it is likely farmers moved corn stored over soybeans. They are waiting and hoping for basis improvement to move old crop and new crop soybeans.

Naturally, there will be and are as I write, soybeans moving at harvest. For farmers hedged when spring prices were above \$10.00/bushel and basis was narrower, current basis and price means nothing. There are farmers that will move grain that they have never considered storing and paying costs associated with storing. Regardless of price, they move grains to town when they are harvested. For farmers that have storage for part of their harvest, they must decide to sell the overrun or to pay for storage. It is very possible grain buyers will shut the gates during harvest.

**When will there be price improvement?**

More than likely there will be price improvement in both basis and futures for corn before soybeans. There is continued growth in livestock in the U.S. and world, along with U.S. and global demand for corn being distilled. Corn has already shown strength the first three weeks of the new marketing year beginning September 1<sup>st</sup>. As the table for inspections show, corn inspections are strong and soybeans inspected are nearly the opposite of corn.

The best way to trade the market using fundamentals is to track the basis. Keep a notebook of a current nearby month, the first month trading in 2019, a spring month and a summer month. Don't try to keep it to memory. Do it the old fashion way and use a pen or pencil and paper or set up a spreadsheet. When basis begins to change for nearby and further months out and continues to narrow, become a buyer. Be patient. When it comes time to buy, you will see the change.

GRAINS INSPECTED AND/OR WEIGHED FOR EXPORT

REPORTED IN WEEK ENDING SEP 20, 2018  
 -- METRIC TONS --

GRAIN	WEEK ENDING			CURRENT	PREVIOUS
	09/20/2018	09/13/2018	09/21/2017	MARKET YEAR TO DATE	MARKET YEAR TO DATE
BARLEY	0	343	0	3,547	14,122
CORN	1,263,310	1,035,928	779,971	2,977,759	2,145,906
FLAXSEED	0	0	0	170	3,623
MIXED	0	0	0	0	0
OATS	0	0	100	1,198	2,595
RYE	0	0	0	0	0
SORGHUM	3,161	1,326	130,214	5,997	249,121
SOYBEANS	693,890	786,268	1,036,653	2,313,803	3,076,382
SUNFLOWER	0	0	0	0	0
WHEAT	409,592	410,675	502,725	6,525,556	9,230,334
Total	2,369,953	2,234,540	2,449,663	11,828,030	14,722,083

Source: USDA

Because of the extended carry in the grain markets, I do not suggest buying options. Premiums are too large at this time.

Call or email me with comments, questions at **913 787 6804** or [chris.lehner@archerfinancials.com](mailto:chris.lehner@archerfinancials.com) and to open a trading account, go to our interactive New Account application at [Open An Account](#). It is fast, saves on postage and it's green.

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