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BRIEFING

Briefing No. 48

September 2003

September 2003 Spatial Basis Report

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Objective

Analysis

for Informed

Decision Making

This report provides an analysis of regional grain prices in the U.S. for major grain commodities during September 2003. The basis, defined as the difference between a cash price and the price in the futures market, signifies the price for a specific commodity on a local level and captures the impact of local demands, local supplies and transportation structure. Maps displayed in the following report show estimated basis prices for feed barley, corn, soybeans, hard red winter (HRW) wheat, soft red winter (SRW) wheat, and hard red spring (HRS) wheat.

Daily cash prices and basis prices from over 2,200 U.S. grain markets were collected provided by the *CashGrainBids.Com* data service. A monthly average for September 2003 was computed for each location and commodity. The basis is computed as the difference between the local cash price and the corresponding December futures contract price for each commodity, except for soybeans which are based on the November contract. These monthly average basis values are then used in the analysis. All prices and basis levels reported here are in cents per bushel.

Geostatistical kriging procedures were used to estimate a basis 'surface' which provides an estimate of the basis for observed and unobserved locations. A point on each map denotes locations where prices are observed for a specific commodity. Readers should be cautious in interpreting basis estimates in regions of the country where no basis prices are available.

Current basis levels by location were also compared to the basis in the previous month (August 2003) and in the previous year (September 2002). Kriging methods were used to estimate the monthly and yearly change in basis over space.

Futures Market Trends for September 2003

Late-summer drought conditions took a toll on U.S. soybean production, pushing new-crop soybean futures higher by over 60 cents a bushel. Corn prices, on the other hand were up only slightly with production not expected to drop as much as soybeans. Wheat futures were off by about 20 cents across the 3 major exchanges between August and September.

Table 1: Monthly Average Future Prices: Cents per bushel

	Sept 03	Aug 03	Sept 02
Dec Corn Futures	232	229	272
Nov Soybean Futures	618	554	565
Dec SRW Wheat CBT Futures	356	375	401
Dec HRW Wheat KCBT Futures	354	373	460
Dec HRS Wheat MGE Futures	361	384	488

Basis Trends for September 2003

Corn Basis

For the one-month period from August 2003 to September 2003, corn basis (against the December corn futures) was unchanged on average across the 1,962 markets reporting corn prices. Although most of the country had steady corn basis over the past month, there was some weakness in parts of the Southeast and Eastern Cornbelt regions, where harvest was in full swing by mid to late September. In the Western Corn Belt and Northern Plains, basis levels were mostly firmer with harvest still a few weeks away. Out of the Gulf, corn basis levels improved by 5 cents a bushel from August to September 2003.

Year-to-year basis levels for corn were also unchanged on average across the 763 corn markets reporting prices in September 2003 and September 2002. However, areas along the Mississippi river saw modest basis improvements of 3 cents or more compared to last year, while regions in the far West and Eastern seaboard were off 3 cents or more compared to last year. Basis levels at the Gulf were up 14 cents for the year.

Soybean Basis

Soybean basis (against the November soybean futures) was mostly weaker in September. On average, soybean basis levels slid 16 cents a bushel across the 1,839 soybean markets in the past month. Although harvest pressure may explain part of the slide, a 60-cent improvement in the futures market over this same period may have also contributed to weakness in soybean basis. As in the case of corn, soybean basis was generally weakest in the Eastern Corn Belt and parts of the Northern Plains where early harvesting was occurring. At the Louisiana Gulf, soybean basis levels were unchanged from August to September 2003.

For the year, current soybean basis levels are up 7 cents a bushel on average across the 706 markets reporting in 2002 and 2003. Regionally, basis levels for the year are generally weaker by 5 cents a bushel in the Eastern Cornbelt and the Southeast, while parts of the Western Cornbelt and Plains are seeing soybean basis levels that are at least 10 cents higher as compared to last year. At the Louisiana Gulf export market,

soybean basis is running 13 cents above last year's level.

Wheat Basis

Although wheat futures were off 20 cents for the month, basis levels were generally firmer across the U.S. Leading the way was HRW wheat basis, which was up 8 cents from August to September for the 553 HRW wheat markets reporting prices. For the 308 HRS wheat markets, the average basis was also higher by 5 cents a bushel for the month. The SRW wheat market was up only 2 cents on average across the 483 SRW wheat markets. The port markets of the Gulf and Portland reflected similar trends for the month. HRW and HRS wheat basis out of Portland was up 20 cents and 14 cents a bushel, respectively. At the Gulf HRW wheat basis levels firmed 12 cents for the month while SRW wheat basis levels were up only 4 cents.

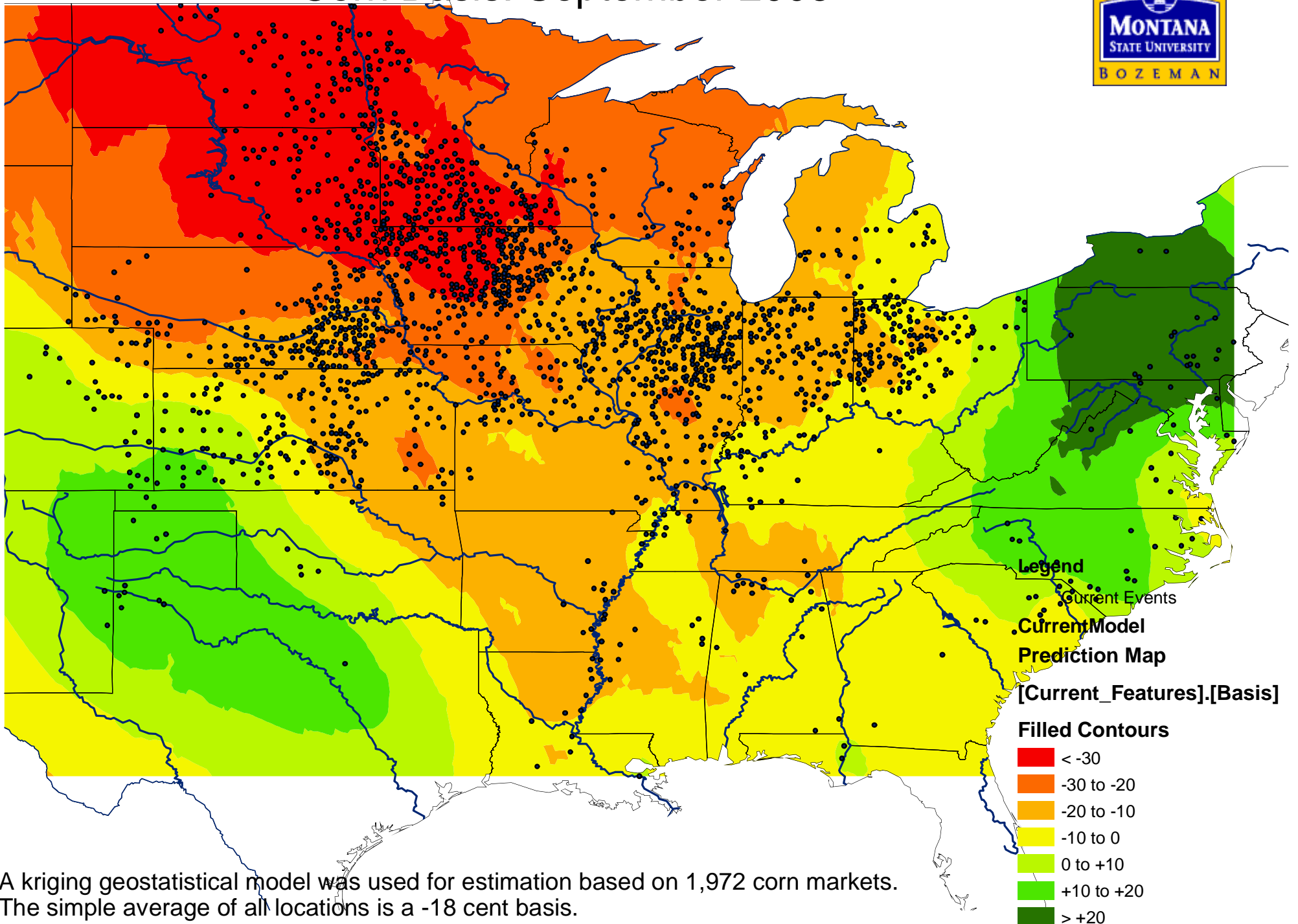
Comparing year-to-year basis patterns, HRW wheat basis is significantly below levels seen this time last year, as a result of higher production. In the HRW wheat market, basis levels are running 26 cents less than last year across the 306 HRW wheat markets. Regionally, HRW wheat basis was weakest in the Northern Plains and Pacific Northwest, driven by a 25-cent a bushel decline in basis out of the Port of Portland. Likewise, weaker basis levels out of Portland caused HRS wheat basis levels to be lower for the year. On average across the 151 HRS wheat markets, HRS wheat basis levels are off 9 cents as compared to last year. A similar drop in the SRW wheat basis occurred as well, with 122 markets posting an average decline of 8 cents a bushel for the year.

Barley Basis

On average, for the 143 barley markets reporting prices in August and September 2003, there was no change in the average feed barley basis (against the December CBT corn futures) over this one-month period. As in the case of HRS wheat, the Pacific Northwest experienced the largest losses in barley basis driven by a 7-cent decline at the Port of Portland.

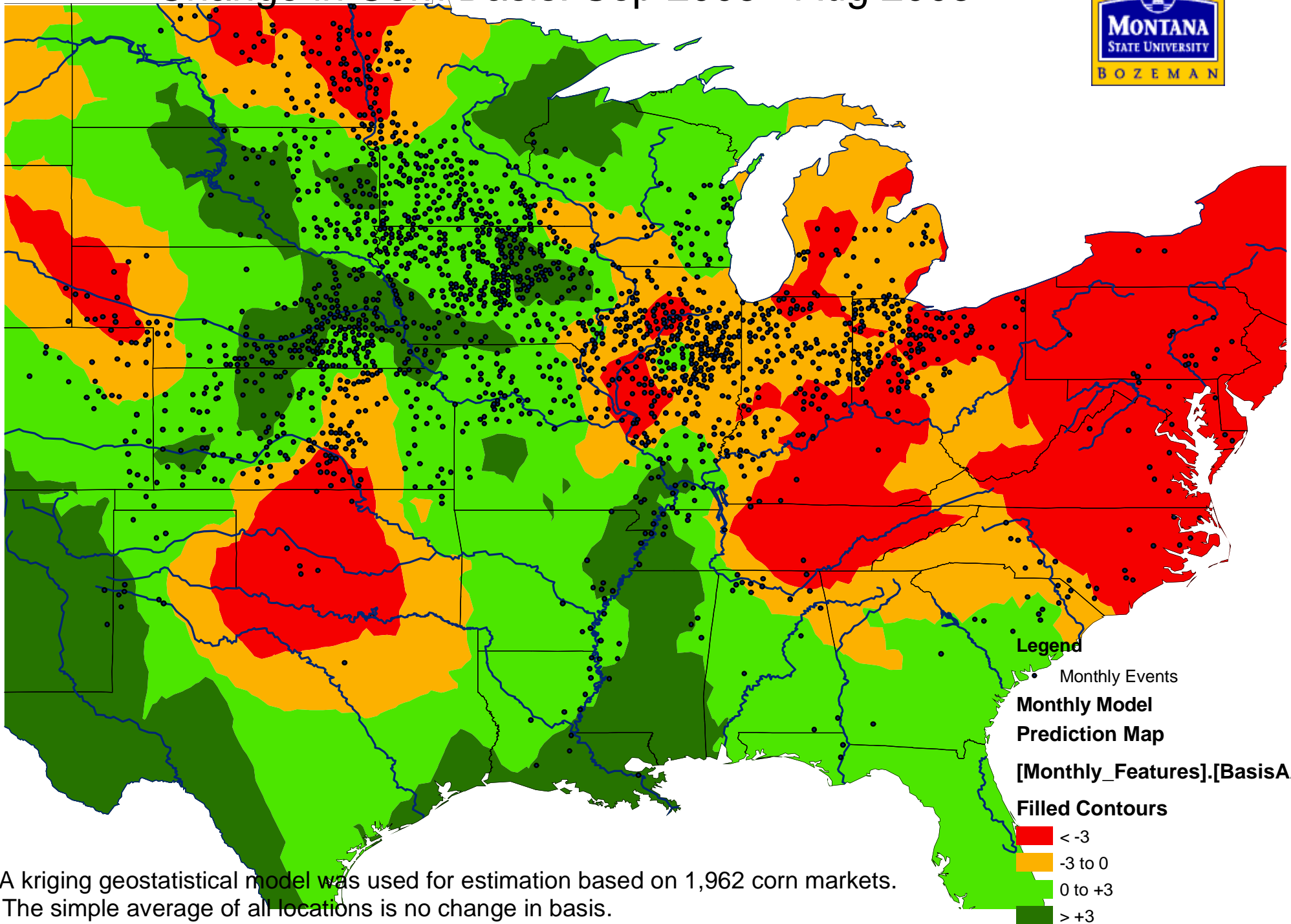
Insufficient data exists for barley to make a year-to-year comparison.

Corn Basis: September 2003



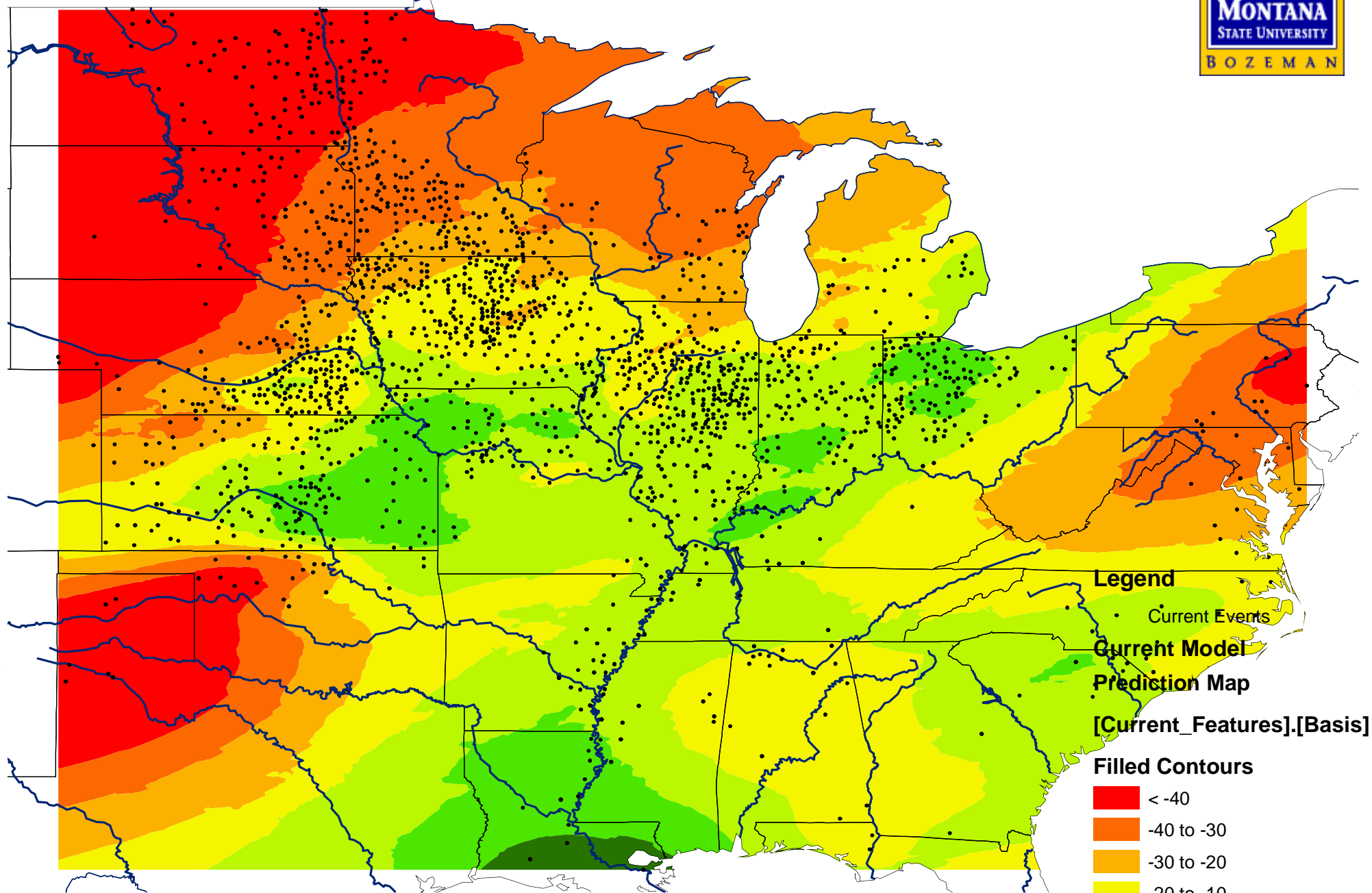
A kriging geostatistical model was used for estimation based on 1,972 corn markets. The simple average of all locations is a -18 cent basis.

Change in Corn Basis: Sep 2003 - Aug 2003



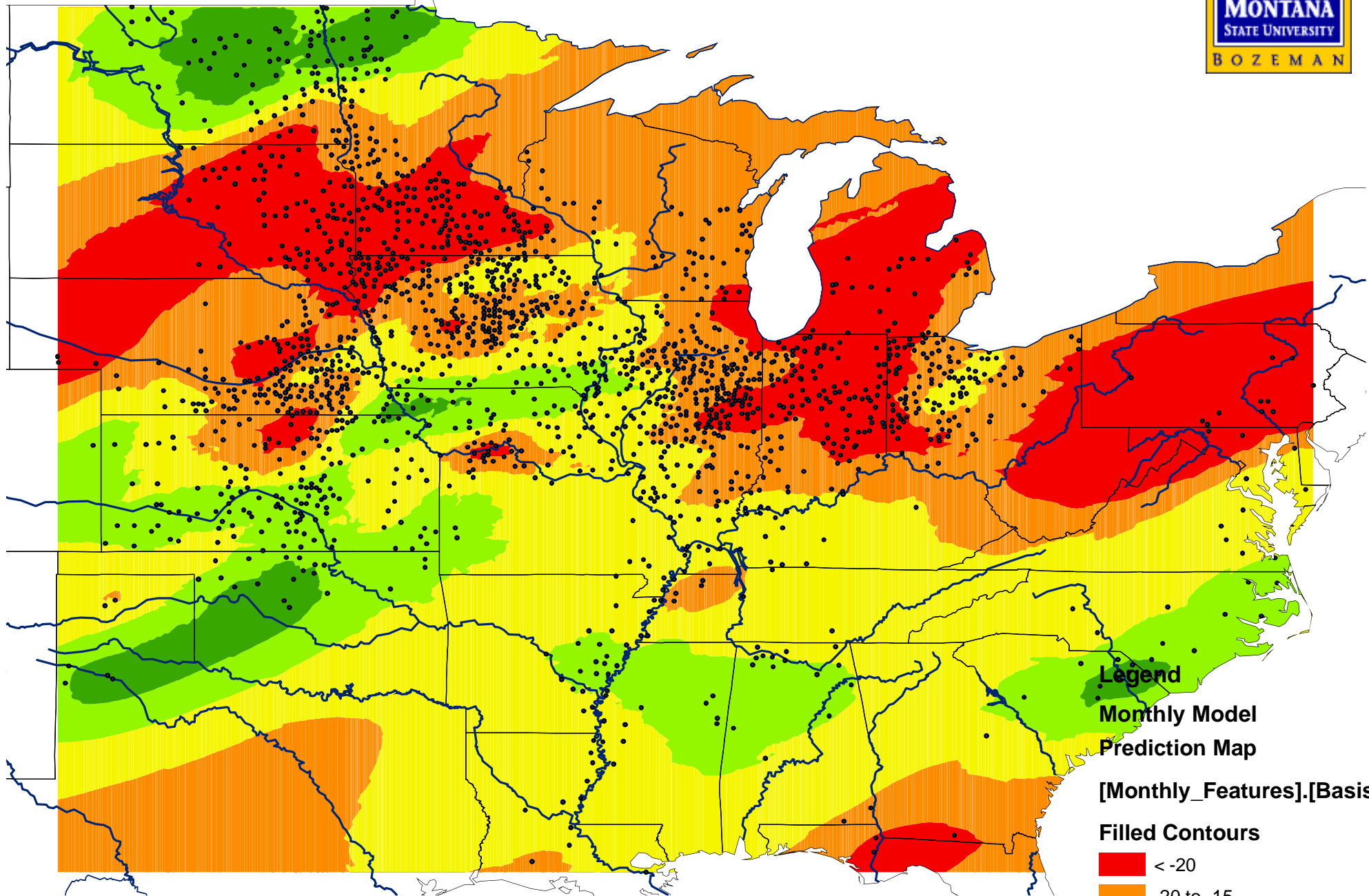
A kriging geostatistical model was used for estimation based on 1,962 corn markets. The simple average of all locations is no change in basis.

Soybean Basis: September 2003



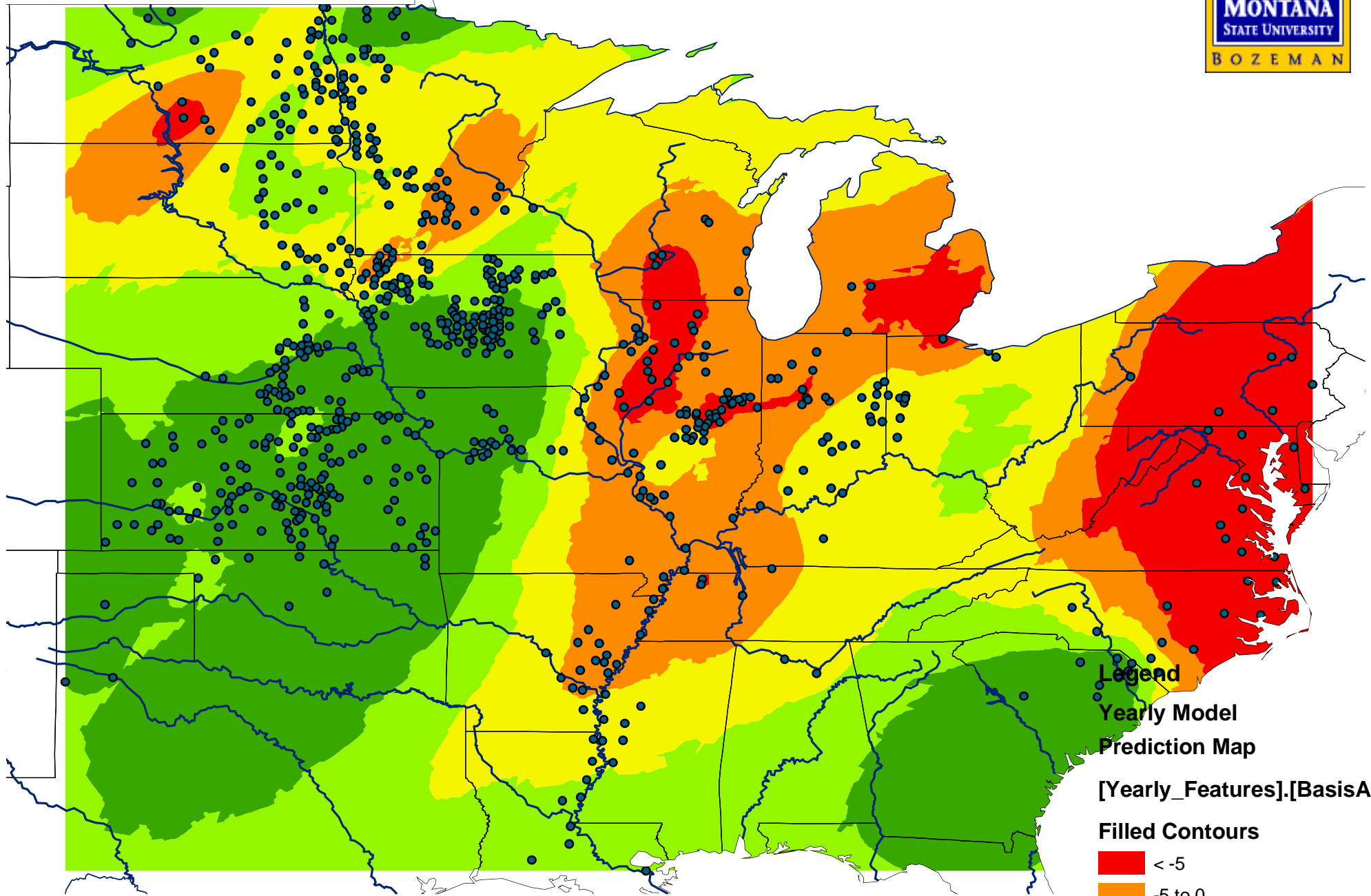
A kriging geostatistical model was used for estimation based on 1,859 soybean markets. The simple average of all locations is a -17 cent basis.

Change in Soybean Basis: Sep 2003 - Aug 2003



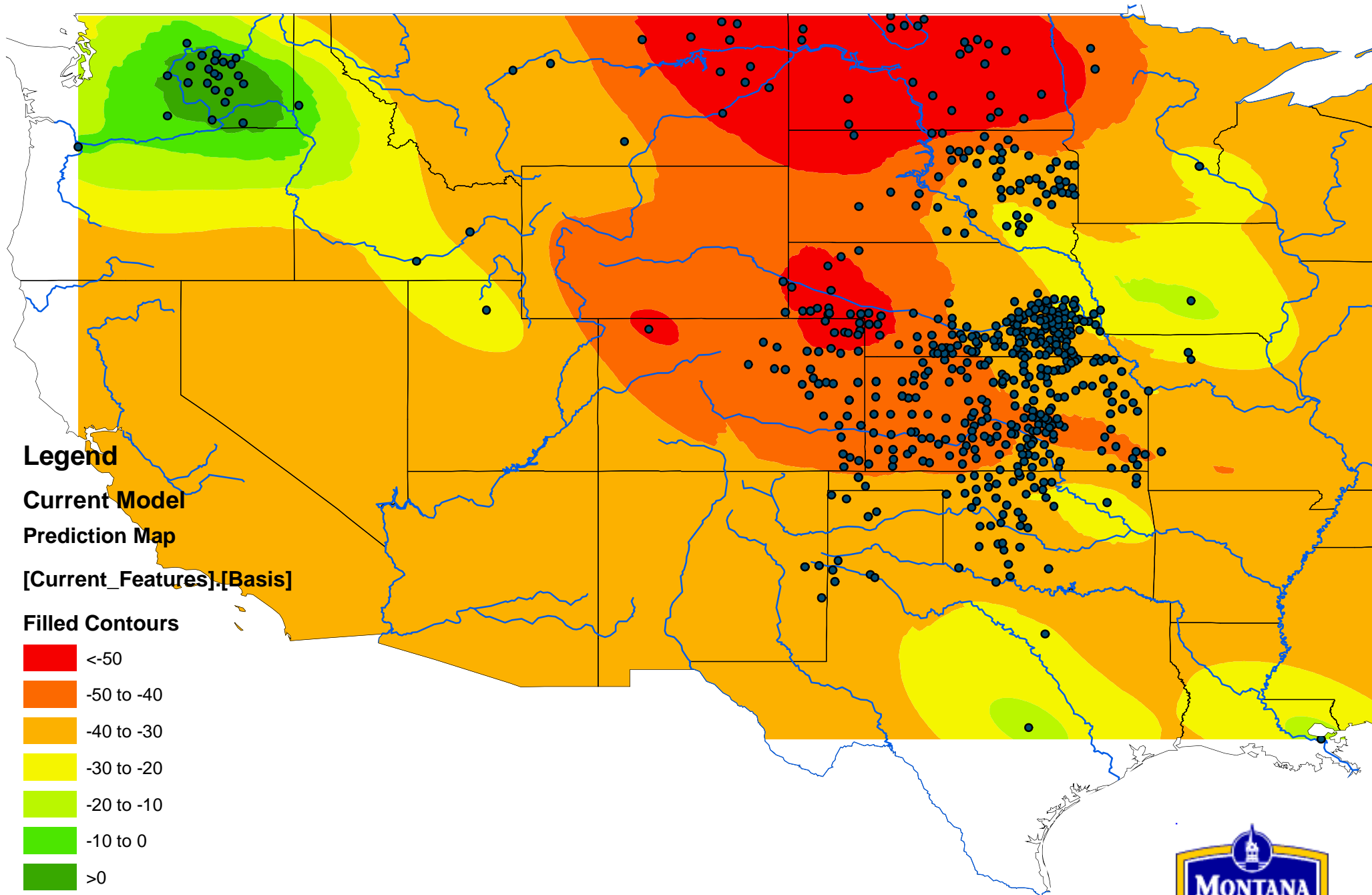
A kriging geostatistical model was used for estimation based on 1,839 soybean markets. The simple average of all locations is a -16 cent decline in basis.

Change in Soybean Basis: Sep 2003 - Sep 2002



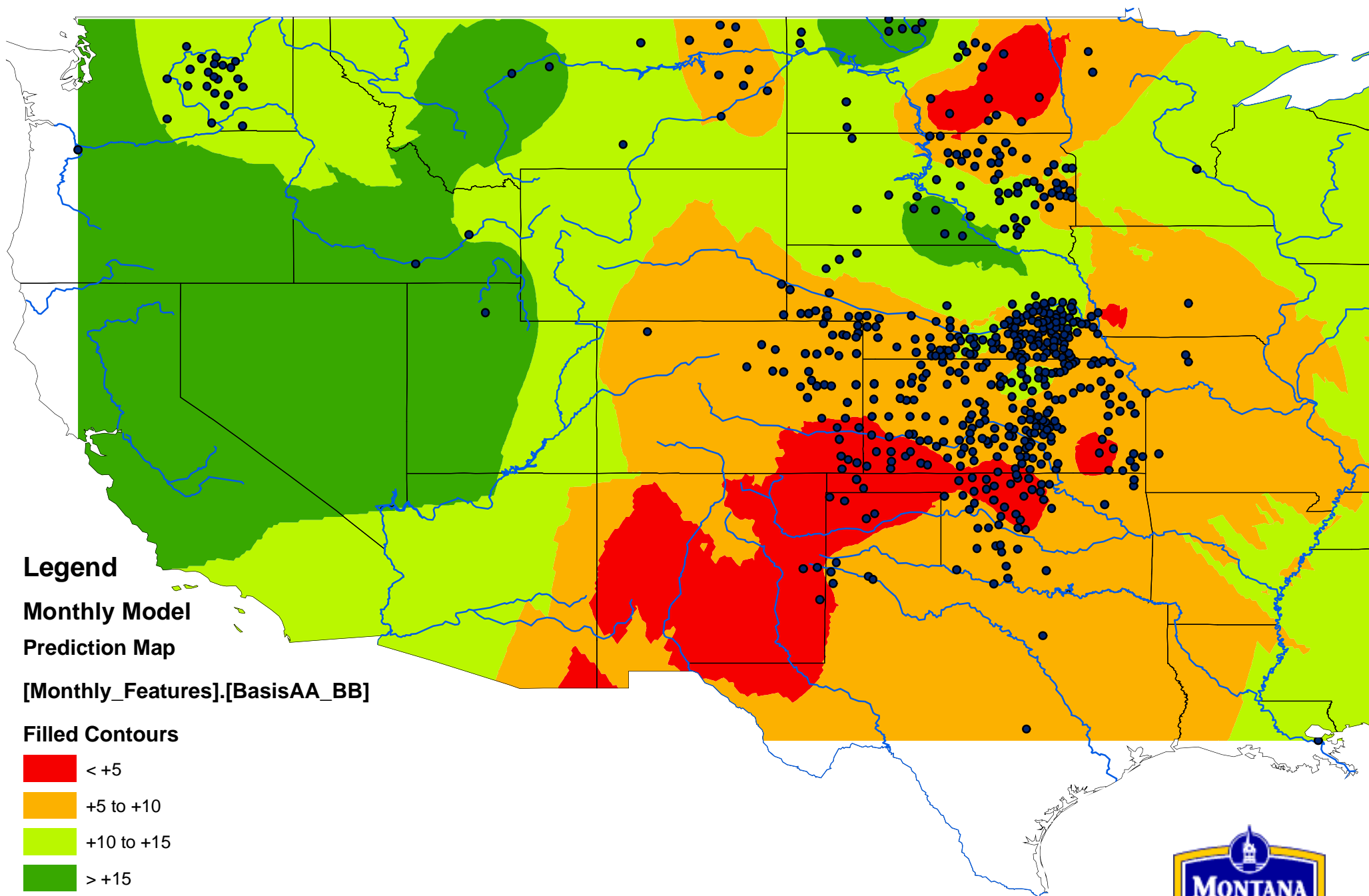
A kriging geostatistical model was used for estimation based on 706 soybean markets. The simple average of all locations is a +7 cent increase in basis.

HRW Wheat Basis: Sep 2003



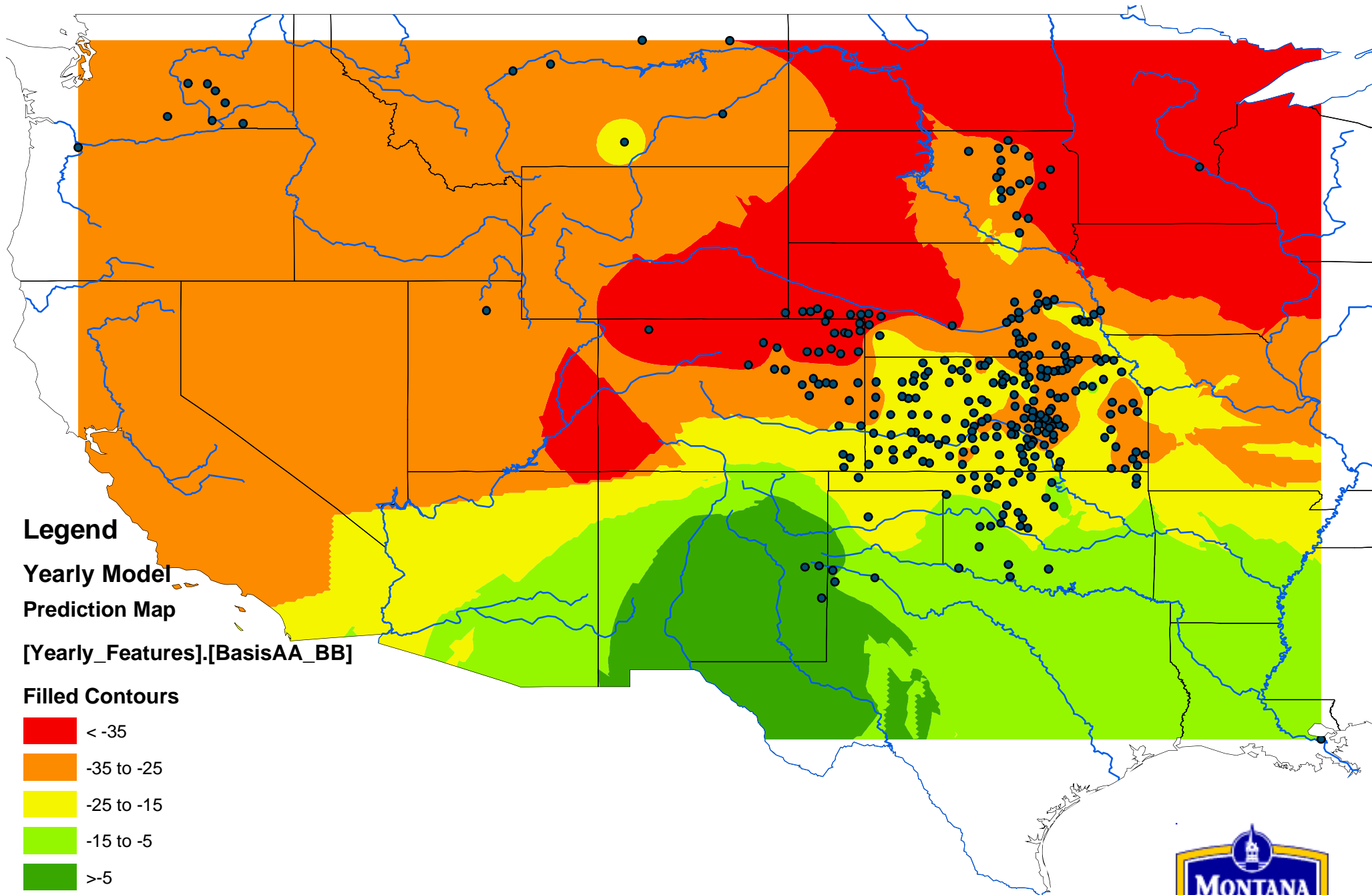
A kriging geostatistical model was used for estimation based on 556 HRW wheat markets.
The simple average of all locations is a -37 cent basis.

Change in HRW Wheat Basis: Sep 2003 - Aug 2003



A kriging geostatistical model was used for estimation based on 553 HRW wheat markets. The simple average of all locations is a +8 cent increase in basis.

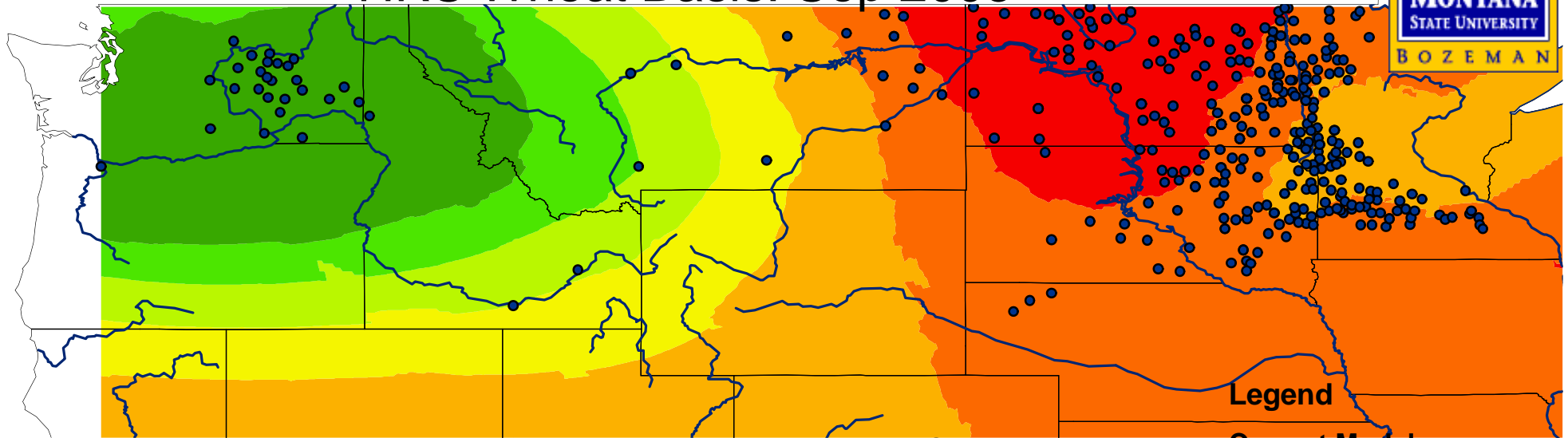
Change in HRW Wheat Basis: Sep 2003 - Sep 2003



A kriging geostatistical model was used for estimation based on 306 HRW wheat markets.
The simple average of all locations is a -26 cent decline in basis.



HRS Wheat Basis: Sep 2003



Legend

Current Model

Prediction Map

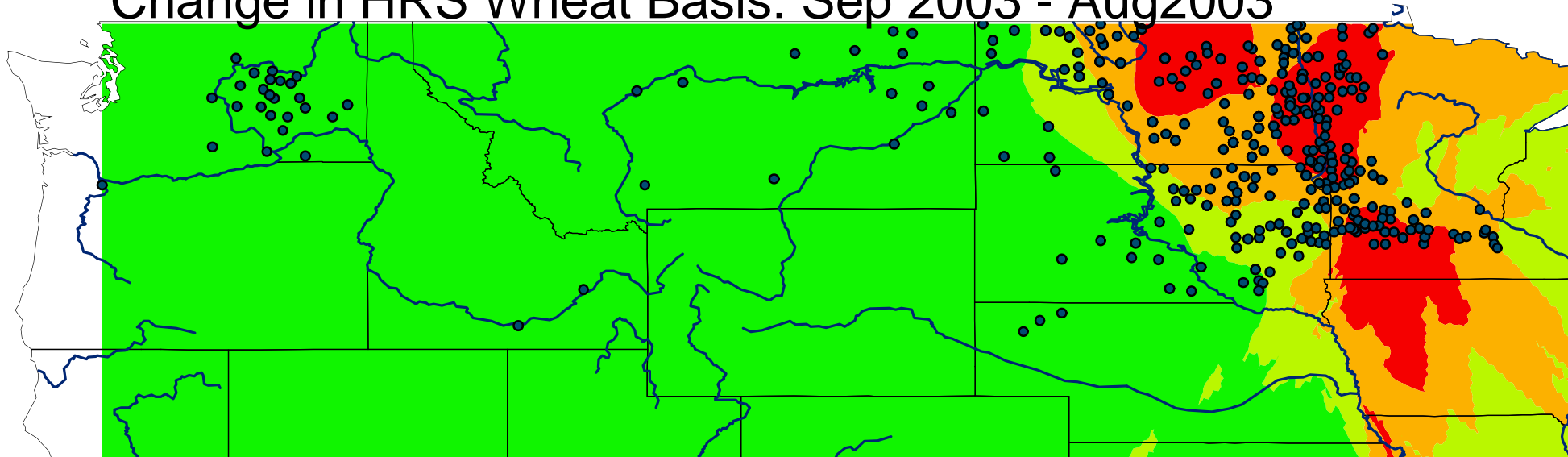
[Current_Features].[Basis]

Filled Contours

- < -40
- 40 to -30
- 30 to -20
- 20 to -10
- 10 to 0
- 0 to +10
- >+10

A kriging geostatistical model was used for estimation based on 315 HRS wheat markets. The simple average of all locations is a -29 cent basis.

Change in HRS Wheat Basis: Sep 2003 - Aug2003



A kriging geostatistical model was used for estimation based on 308 HRS wheat markets. The simple average of all locations is a +5 cent increase in basis.



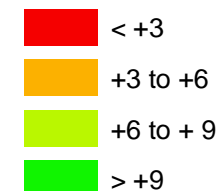
Legend

Monthly Model

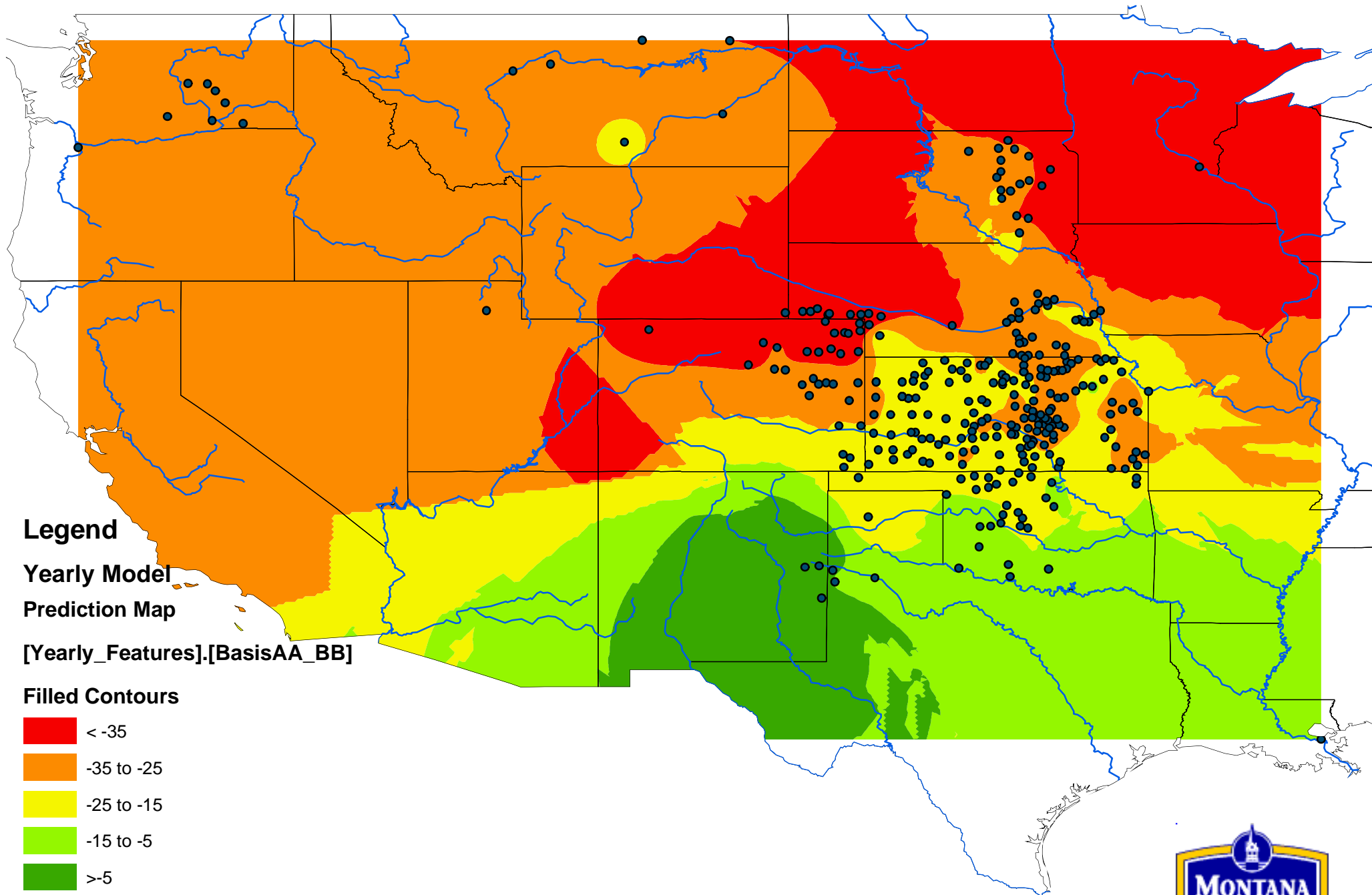
Prediction Map

[Monthly_Features].[BasisAA_BB]

Filled Contours



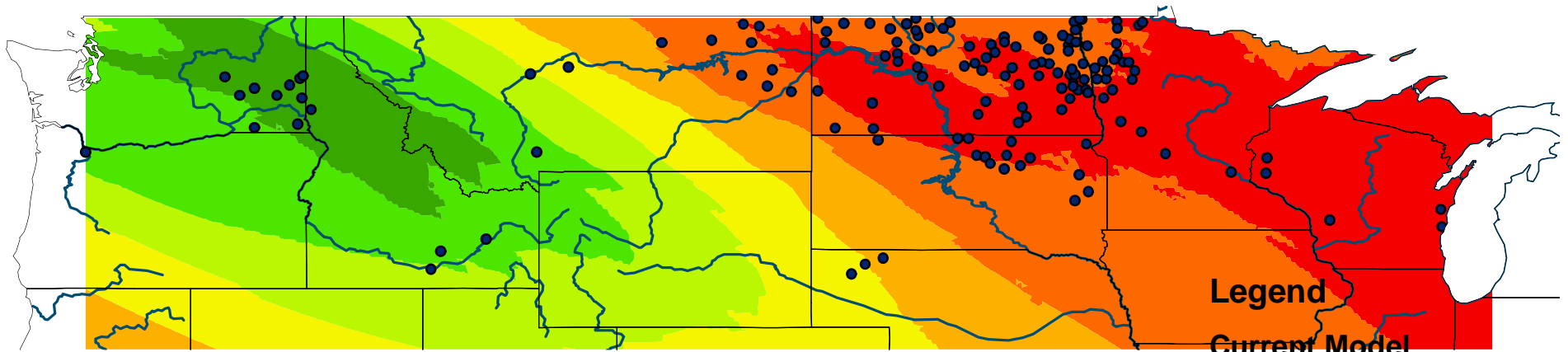
Change in HRW Wheat Basis: Sep 2003 - Sep 2003



A kriging geostatistical model was used for estimation based on 306 HRW wheat markets.
The simple average of all locations is a -26 cent decline in basis.



Barley Basis: Sep 2003



A kriging geostatistical model was used for estimation based on 148 barley markets. The simple average of all locations is a -43 cent basis.

Legend

Current Model

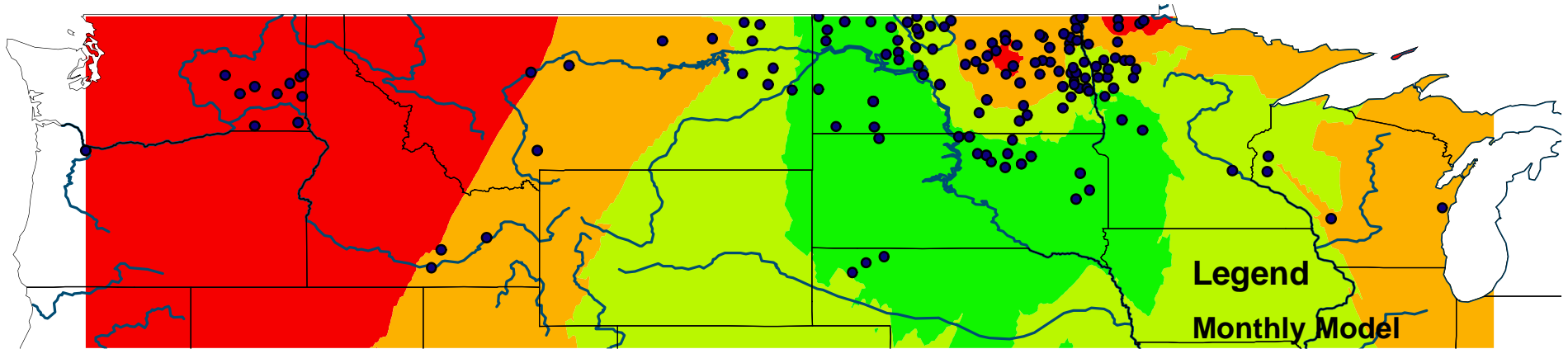
Prediction Map

[Current_Features].[Basis]

Filled Contours



Change in Barley Basis: Sep 2003 - Aug 2003



A kriging geostatistical model was used for estimation based on 143 barley markets.

The simple average of all locations is no change in basis.



Prediction Map

[MonthlyBarley_Features].[BasisAA_

Filled Contours

Red < -5

Orange -5 to 0

Light Green 0 to +5

Dark Green > +5