

# Crop Marketing STRATEGIES

## Running Out of Time to Merchandise Old Crop Bushels

Farmers should separate their old crop bushels into two groups: “want to sell” and “need to sell.” The hot and dry weather forecasts for early June might be one of the few chances for both a futures price rally and reasonable basis opportunities. Break down your “need to sell” bushels and understand that basis risk exists for the 2019 crop, especially for corn into the late summer and early fall months.

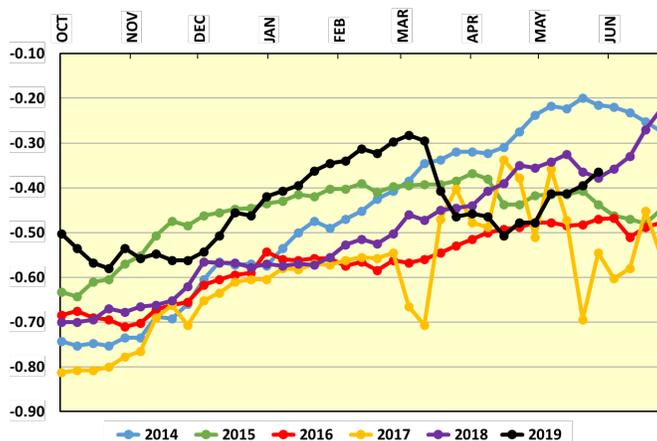
### Tracking Old Crop Basis Trends

The charts below feature basis trends over the past six years at a Central Iowa Elevator. The difference between the local cash price is compared to the underlying July futures contract price each Wednesday, starting with the harvest. Each line represents a different crop year. Note the dark line reflects the 2019 crop. The only year basis strengthened after mid-May was in 2018, which was due to problems in planting the 2019 crop and decline in planted acres.

With a large amount of 2020 corn planted acres and a good start to most of the crop, it's likely corn basis will weaken into late spring and summer months. Consider tracking both corn and soybean basis where you typically merchandise your old and new crop bushels. This way, you can understand your local basis trends.

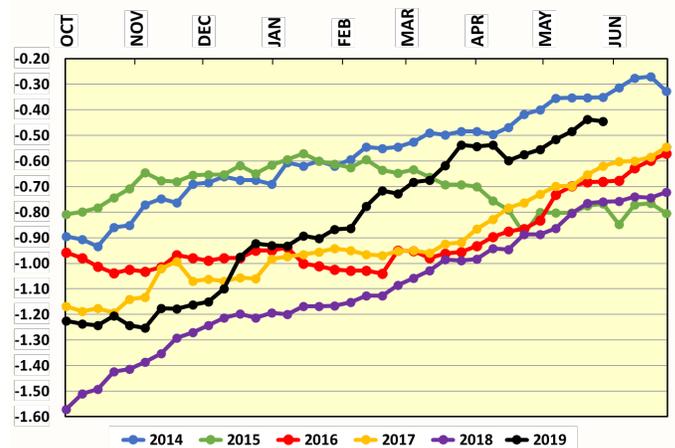
Note from the chart below that soybean basis trends reflects a strengthening basis throughout the spring months. Expect that to be true for the 2019 crop as demand for livestock feed remains strong. Also, Chinese imports could remain strong with their honoring the Phase 1 trade agreement and disruptions in Brazilian shipments due to a Covid-19 outbreak. By mid-August, this soybean basis may weaken as crushers slow processing, and the export market awaits the new crop soybean supply.

**Corn Basis Trends versus July Futures  
Central Iowa Elevator**



Source: Iowa Commodity Challenge, May 28, 2020

**Soybean Basis Trends versus July Futures  
Central Iowa Elevator**



Source: Iowa Commodity Challenge, May 28, 2020

## Setting Futures Price Objectives

The July '20 corn futures contract reached the winter high of \$4.03¼ on both Jan. 15 and 23. The contract low was \$3.09 on April 21. This contract has traded in a sideways trading range since mid-April. By June 1, that futures price closed at \$3.24 per bushel.

Timing is everything, as this July contract will move into delivery in late June. Thus, the “running out of time” is real, which leaves only a few weeks to hit futures price objectives of \$3.30 through \$3.40 per bushel range. Those levels were the high futures prices reached on May 28 and April 23 and should serve as chart resistance.



Source: Chicago Mercantile Exchange, June 1, 2020

Consider scale-in incremental sales when these price levels are reached. Placing orders with your grain merchandiser or commodity broker now will better assure those bushels get sold, and you can then focus on marketing new crop. Use Friday, June 26, as the “line in the sand” sale date for unpriced old crop corn bushels.

The July '20 soybean futures contract reached their winter high of \$9.80 on Jan. 2. The life-of-contract low was \$8.18½. This contract has traded in a sideways trading range since mid-April. On June 1, that futures price closed at \$8.41 per bushel.

## November '20 Soybean Futures



Source: Chicago Mercantile Exchange, June 1, 2020

The uncertainty of U.S. soybean production and summer weather reducing production will likely benefit soybean futures much more so than corn. Consider futures price objectives of \$8.60 through \$8.77 per bushel range. Those levels were the high futures prices reached on May 11 and April 13 and should serve as chart resistance.

## Conclusion

The 2020 crops are off to a great start, especially in the Western Corn Belt. Don't expect old crop corn and soybean futures to trade much above their price ranges established over the past two months.

Timing will be key in establishing both basis and futures prices during June, especially for corn. It's the “need to sell” bushels that require your attention right now. This early June weather scare might be one of the few chances for both a futures price rally and reasonable basis opportunities for old crop bushels.

Discipline will be critical in making necessary old crop sales soon. Consider using written marketing plans and discussing this plan with your grain merchandiser and/or commodity broker. Those “need to sell” bushels can help generate cash flow, eliminate basis and storage quality issues and free up needed bin space. Adequate storage could be a real challenge come harvest, so think ahead about freeing up on-farm space.