

University of Nebraska - Lincoln

DigitalCommons@University of Nebraska - Lincoln

Historical Materials from University of
Nebraska-Lincoln Extension

Extension

1993

EC93-802 Soybean Basis Patterns From Selected Sites in Western Nebraska

Lynn H. Lutgen

University of Nebraska - Lincoln

Follow this and additional works at: <https://digitalcommons.unl.edu/extensionhist>



Part of the [Agriculture Commons](#), and the [Curriculum and Instruction Commons](#)

Lutgen, Lynn H., "EC93-802 Soybean Basis Patterns From Selected Sites in Western Nebraska" (1993).
Historical Materials from University of Nebraska-Lincoln Extension. 1567.
<https://digitalcommons.unl.edu/extensionhist/1567>

This Article is brought to you for free and open access by the Extension at DigitalCommons@University of Nebraska - Lincoln. It has been accepted for inclusion in Historical Materials from University of Nebraska-Lincoln Extension by an authorized administrator of DigitalCommons@University of Nebraska - Lincoln.

Soybean Basis Patterns From Selected Sites in Western Nebraska¹

Lynn H. Lutgen, Extension Marketing Economist

The following publication contains monthly average soybean "basis" patterns for several towns in western Nebraska. The ongoing price information was collected through surveys, newspaper, electronic media, etc. The listing includes towns that are representative of different geographic locations in western Nebraska. The amount of data varies among locations. This publication will be updated each year by adding a year's data to each location which will allow the user to observe the changes in the basis patterns over time.

Why is Basis Important?

The understanding of basis is extremely important to the producer who wishes to forward price soybean production. Basis is important in the evaluation of hedging, cash contracts, basis contracts, and hedge to arrive contracts. An example is soybeans held in storage in November that the producer plans to sell in May. This is formally known as a selling storage hedge. In hedging, the producer is establishing in advance the price to be received when the grain is sold and the hedge is lifted. The price that is received when the commodity is sold on the futures market is not the actual price the producer will ultimately receive. The futures price is the Chicago price for grain, not the Nebraska price, therefore there will be an adjustment made in the Chicago price. This adjustment is the basis. The basis can cause the producer to

either gain an additional profit or receive a lower price for the product than anticipated when the hedge was placed. An understanding of the basis enables the producer to evaluate forward cash contract offers and hedge to arrive contracts, in addition to hedging opportunities.

What is Basis?

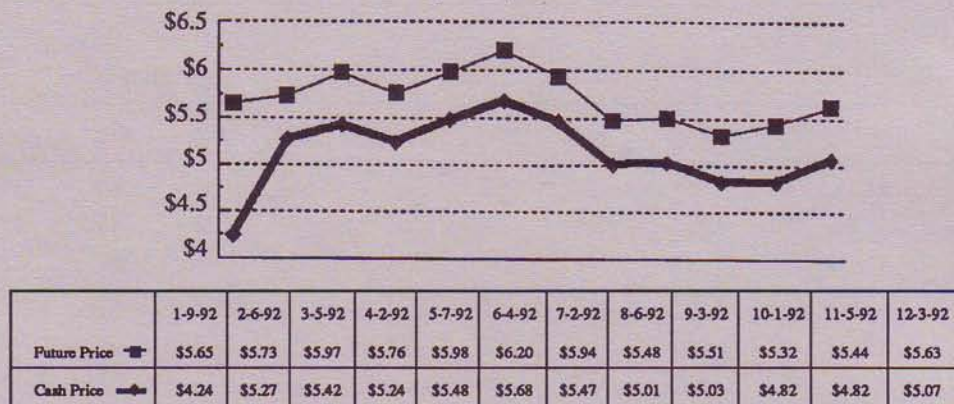
Basis is the difference between the Chicago futures price and the spot cash price at a specific local market at a particular time. For an individual producer to determine the basis that is relevant, he must determine what the futures price is and then obtain a spot cash price from the local market where he intends to market his crop. When this spot cash price is subtracted from the futures price and the result is the basis, or the localized futures price in the area. The formula used for this is:

$$\text{futures price} - \text{local cash price} = \text{local basis.}$$

The producer should be aware that the narrower or smaller the basis at the time the hedge is liquidated, the higher his return will be. A negative basis would add an additional unexpected profit over the price position established by the futures price. For example, in Figure 1, the basis in Maywood on March 5, 1992 was 55 cents and on July 2, it had narrowed to 47 cents. The basis was the widest in November at 62 cents.

Figure 1.

Soybeans 1992
Maywood, NE



¹It is the intention of the author to update this report annually. Appropriate additions, revisions or deletions will be made at those times. Requests for the updated reports should be sent to the Department of Agricultural Economics, Institute of Agriculture and Natural Resources, 217 H.C. Filley Hall, UNL-East Campus, Lincoln, NE 68583-0922.



Issued in furtherance of Cooperative Extension work, Acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Kenneth R. Bolen, Director of Cooperative Extension, University of Nebraska, Institute of Agriculture and Natural Resources.



It is the policy of the University of Nebraska-Lincoln Institute of Agriculture and Natural Resources not to discriminate on the basis of sex, age, handicap, race, color, religion, marital status, veteran's status, national or ethnic origin or sexual orientation.

For further explanation of basis see NebGuide G78-416, *The Importance of "Basis" in Trading on the Futures Market*.

The study of past basis movements and their patterns can be useful in understanding future market opportunities. For example, a producer who hedges soybeans in June on the December futures must be able to estimate what the December basis will be when they lift their hedge and sell the grain on the cash market. It is for these reasons that this information has been compiled and hopefully will be of use to the producer who forward prices soybeans. When evaluating the following basis information keep in mind how the basis for each location was formulated. The average cash prices used were the Thursday closing prices at the local elevator. Then these prices were averaged to give the monthly average shown in the tables. Futures prices are the near-by contract

month's closing price. The near-by contract months are January, March, May, July, August, September and November. To calculate the basis, each Thursday's local cash price was first subtracted from the near-by contract month's futures price and then averaged.

The towns included in this publication are:

Alma	Atlanta
Elm Creek	Gothenburg
Imperial	Kearney
Lexington	Litchfield
Maywood	McCook
Merna	North Platte
Ord	Ravenna

Average Monthly Soybean Prices 1989-93

1989

Town/Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Alma												.47
Atlanta			.38	.45	.50	.51	.30	.17	.42	.48	.55	.48
Elm Creek			.31	.31	.33	.36	.11	.18	.23	.35	.40	.35
Gothenburg			.31	.35	.37	.45	.24	.15	.48	.38	.41	.32
Imperial		.55	.52	.61	.65	.54	.39	.14	.41	.55	.46	.53
Maywood								.21	.31	.50	.55	.52
McCook								.14	.33	.57	.61	.52
Merna										.50	.56	.50
North Platte								.18	.28	.42	.47	.55
Ord								.24	.37	.51	.50	.44
Ravenna											.43	.35

1990

Town/Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Alma	.55	.47	.54	.51	.61	.44	.54	.44	.60	.50	.52	.43
Atlanta	.51	.52	.53	.49	.57	.32	.33	.28	.46	.43	.50	.35
Elm Creek	.45	.45	.48	.42	.51	.31	.33	—	—	.35	.40	.30
Gothenburg	.44	.37	.47	.43	.52	.29	—	—	.41	.40	.40	.33
Imperial	.49	.59	.70	.69	.67	.46	.48	.45	.57	.56	.59	.49
Kearney									.41	.35	.45	.34
Litchfield									.42	.36	.52	.39
Maywood	.64	.57	.70	.60	.70	.47	.43	.42	.58	.53	.60	.47
McCook	.64	.59	.70	.66	.71	.46	.45	.44	.57	.55	.59	.49
Merna	.56	.44	.63	.53	.63	.37	.46	.36	.51	.49	.54	.40
North Platte	.53	.43	.55	.48	.60	.26	.33	.32	.48	.51	.57	.43
Ord	.52	.42	.55	.54	.64	.49	.43	.39	.51	.48	.58	.43
Ravenna	.46	.42	.52	.50	.59	.43	.38	.41	.46	.38	.52	.40

1991

Town/Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Alma	.49	.45	.50	.42	.34	.33	.31	.36	.49	.42	.40	.39
Atlanta	.42	.40	.52	.32	.31	.26	.23	.38	.44	.38	.43	.25
Elm Creek	.35	.32	.36	.27	.26	.23	.17	.33	.33	.21	.19	.15
Gothenburg	.39	.33	.39	.29	.30	.27	.23	.39	.39	.35	.28	.27
Imperial	.46	.45	.53	.43	.43	.37	.31	.47	.51	.34	.42	.41
Kearney	.34	.27	.32	.22	.24	.20	.15	.34	.32	.30	.25	.31
Lexington				.28	.25	.21	.15	.36	.32	.30	.23	.20
Litchfield	.41	.35	.40	.30	.30	.26	.24	.36	.37	.33	.31	.26
Maywood	.48	.45	.54	.41	.43	.39	.31	.47	.50	.42	.40	.37
McCook	.47	.45	.53	.43	.43	.36	.31	.47	.51	.44	.41	.41
Merna	.47	.441	.48	.36	.37	.33	.31	.42	.48	.43	.36	.36
North Platte	.44	.39	.44	.29	.33	.28	.23	.37	.40	.39	.29	.29
Ord	.45	.43	.45	.37	.34	.32	.32	.43	.46	.46	.39	.37
Ravenna	.39	.32	.37	.27	.28	.26	.16	.36	.37	.34	.29	.25

1992

Town/Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Alma	.51	.58	.59	.27	.37	.44	.35	.32	.37	.43	.53	.42
Atlanta	.43	.45	.50	.47	.57							
Elm Creek	.29	.37	.41	.20	.30	.29	.21	.29	.29	.32	.38	.31
Gothenburg	.35	.37	.40	.26	.33	.36	.32	.35	.36	.41	.42	.37
Imperial						.45	.50	.52	.45	.52	.60	.57
Kearney	.32	.34	.36	.15	.28	.28	.26	.29	.27	.32	.31	.32
Lexington	.32	.37	.45	.38	.30	.30	.28	.30	.34	.36	.40	.34
Litchfield	.39											
Maywood	.43	.447	.53	.45	.48	.48	.47	.49	.50	.53	.59	.57
McCook	.42	.47	.51	.44	.47	.45	.50	.52	.45	.54	.60	.57
Merna	.37	.42	.43	.34	.37	.40	.40	.42	.39	.45	.54	.51
North Platte	.38	.38	.42	.29	.35	.38	.36	.38	.39	.45	.47	.37
Ord	.42	.45	.48	.34	.43	.41	.38	.44	.44	.39	.45	.42
Ravenna	.37	.39	.42	.26	.35	.36	.28	.37	.33	.36	.42	.36
Shelton						.26	.26	.33	.30	.32	.35	.31

1993

Town/Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Alma	.50	.49	.50	.45								
Elm Creek	.36	.40	.39	.41								
Gothenburg	.42	.44	.42	.42								
Imperial	.63	.60	.58	.56								
Kearney	.40	.34	.32	.30								
Lexington	.39	.40	.38	.39								
Maywood	.60	.60	.58	.57								
McCook	.63	.60	.57	.56								
Merna	.50	.42	.44	.44								
North Platte	.46	.47	.49	.44								
Ord	.47	.48	.47	.47								
Ravenna	.37	.38	.39	.37								
Shelton	.34	.36	.34	.32								