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Corn Basis Patterns From Selected Sites in Western Nebraska¹

Lynn H. Lutgen, Extension Marketing Economist

The following publication contains monthly average corn "basis" patterns for several towns in western Nebraska. The basic 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 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 corn production. Basis is important in the evaluation of hedging, cash contracts, basis contracts, and hedge to arrive contracts. An example is corn 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 arrive contracts, in addition to hedging opportunities.

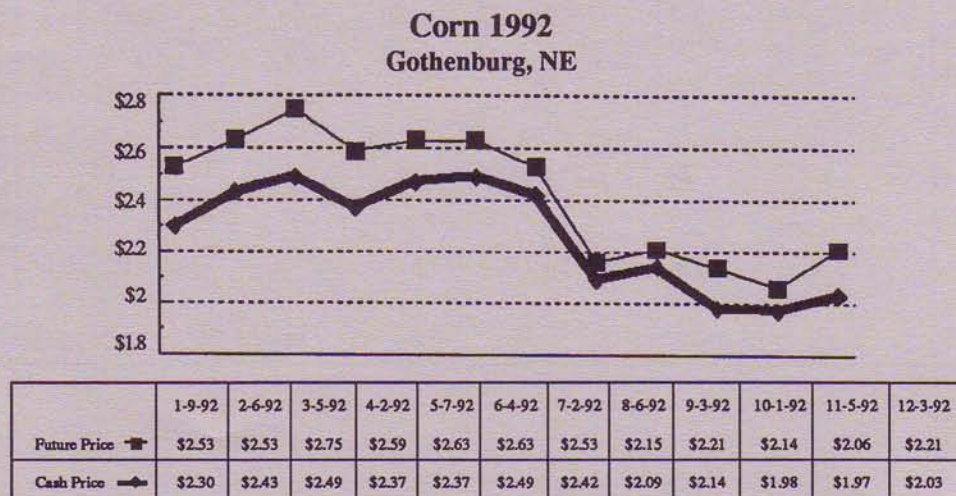
What is Basis?

Basis is the difference between the Chicago futures price and the spot cash price at a 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 corn. When this spot cash price is subtracted from the futures price, 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 Gothenburg on February 6, 1992 was 20 cents and on August 6, it had narrowed to 7 cents. The basis was the widest on March 5 at 26 cents. For further explanation of basis see NebGuide G78-416, *The Importance of the "Basis" in Trading on the Futures Market*.

Figure 1.



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.



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The study of past basis movements and their patterns can be useful in understanding future market opportunities. For example, a producer who hedges corn 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 corn. When evaluating the following basis information, keep in mind how each basis was formulated. The original 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 December, March, May, July and September. 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 in this publication are:

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

Average Monthly Corn Prices 1989-93

1989

Town/Date	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Atlanta			.28	.26	.231	.23	.23	.13	.21	.22	.21	.19
Elm Creek			.18	.17	.18	.13	.16	.04	.14	.16	.11	.08
Gothenburg			.20	.22	.22	.17	.10	.07	.13	.18	.13	.11
Grant			.28	.33	.35	.29	.27	.12	.23	.25	.24	.22
Hemingford	.38	.31	.32	.35	.33	.30					.33	.29
Imperial	.30	.27	.28	.29	.27	.21	.19	.09	.19	.25	.18	.21
Litchfield						.17	.17	.09	.15	.19	.15	.13
McCook							.18	.09	.20	.24	.21	.21
Merna			.28	.27	.28	.23	.22	.14	.19	.25	.20	.19
North Platte							.10	.09	.12	.19	.17	.10
Ord							.13	.11	.19	.21	.18	.09
Ravenna											.15	.17
Sidney							.12	.03	.08	.17	.05	.10

1990

Town/Date	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Alma	.25	.28	.31	.31	.29	.27	.18	.11	.20	.26	.21	.27
Atlanta	.24	.24	.28	.27	.30	.28	.18	.10	.09	.24	.17	.23
Elm Creek	.14	.18	.22	.19	.20	.20	.12		.16	.18	.10	.16
Gothenburg	.15	.19	.23	.23	.22	.24	.12	.05	.10	.20	.12	.18
Grant	.23	.27	.35	.35	.32	.29	.16	.05	.02	.24	.20	.26
Gurley									.18	.11	.17	.14
Hemingford	.25	.26	.32	.37	.38	.36	.23	.08	.16	.34	.2	.17
Imperial	.24	.27	.31	.30	.30	.27	.13	-.01	-.01	.25	.22	.27
Kearney									.17	.20	.14	.18
Litchfield	.18	.21	.25	.26	.26	.23	.18	.09	.14	.21	.16	.22
Maywood	.24	.26	.30	.31	.31	.28	.15	.06	.05	.28	.21	.27
McCook	.24	.27	.31	.30	.30	.27	.13	-.01	.04	.25	.22	.25
Merna	.26	.28	.31	.29	.30	.26	.20	.15	.13	.25	.17	.27
North Platte	.17	.20	.23	.24	.23	.21	.14	.04	.04	.20	.14	.19
Ord	.20	.21	.26	.25	.24	.23	.18	.09	.13	.24	.19	.22
Ravenna	.21	.23	.27	.26	.27	.29	.22	.09	.13	.22	.17	.23
Sidney	.08	.07	.12	.13	.11	.08	.02	-.16	-.26	.24	.15	.13

1991

Town/Date	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Alma	.24	.25	.30	.21	.18	.10	.09	.23	.23	.28	.22	.18
Atlanta	.22	.21	.24	.17	.14	.10	.09	.21	.25	.29	.24	.20
Elm Creek	.13	.12	.17	.10	.09	.05	.04	.13	.16	.22	.14	.13
Gothenburg	.14	.14	.20	.12	.11	.06	.09	.18	.20	.25	.25	.16
Grant	.20	.16	.26	.21	.17	.10	.05	.22	.24	.26	.25	.21
Gurley	.10	.10	.23	.12	.05	-.07	-.10	.08	.09	.23	.19	.17
Hemingford	.25	.25	.29	.27	.22	.16	.13	.33	.29	.34	.25	.22
Imperial	.22	.22	.26	.20	.12	.07	.04	.22	.22	.22	.21	.20
Kearney	.16	.15	.20	.14	.13	.10	.05	.17	.20	.24	.16	.14
Lexington				.10	.10	.04	.05	.15	.18	.23	.14	.13
Litchfield	.19	.18	.23	.17	.14	.13	.11	.20	.21	.29	.20	.19
Maywood	.25	.22	.27	.21	.09							
McCook	.23	.22	.26	.20	.12	.08	.04	.23	.22	.22	.21	.20
Merna	.24	.22	.28	.22	.20	.17	.12	.24	.27	.31	.25	.24
North Platte	.17	.17	.21	.14	.13	.07	.06	.18	.21	.26	.17	.16
Ord	.19	.19	.21	.17	.17	.12	.11	.22	.24	.27	.21	.18
Ravenna	.19	.18	.23	.17	.15	.12	.12	.21	.23	.28	.19	.18
Sidney	.04	.08	.16	.13	.07	.01	-.05	.09	.13	.31	.18	.15

1992

Town/Date	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Alma	.28	.27	.29	.10	.13	.11	.04	.05	.09	.13	.13	.19
Atlanta	.28	.28	.29	.17	.22							
Elm Creek	.21	.19	.21	.10	.11	.13	.09	.10	.12	.15	.15	.21
Gothenburg	.23	.20	.24	.13	.14	.11	.08	.07	.08	.14	.10	.17
Grant	.29	.24	.36	.16	.18	.20	.10	.09	.11	.15	.20	.24
Gurley	.20	.21	.24	.08	.10	.07	-.09	-.13	-.11	-.06	.03	.04
Hemingford	.31	.26	.30	.14	.18	.13	.08	.03	-.04	.13	.13	.22
Imperial	.26	.26	.25	.12	.17	.13	.03	.04	.02	.12	.16	.20
Kearney	.24	.22	.24	.10	.14	.11	.08	.08	.09	.12	.06	.19
Lexington	.20	.21	.21	.11	.11	.09	.06	.06	.10	.11	.08/	.17
Litchfield	.29											
Maywood	.28	.28	.29	.14	.15	.12	.05	.06	.07	.18	.15	.22
McCook	.26	.26	.27	.12	.18	.11	.02	.04	.02	.11	.15	.19
Merna	.29	.27	.21	.21	.22	.20	.13	.15	.14	.18	.18	.23
North Platte	.24	.22	.25	.15	.14	.11	.11	.07	.08	.15	.11	.18
Ord	.25	.24	.28	.19	.19	.16	.13	.13	.13	.14	.22	.21
Ravenna	.27	.24	.25	.15	.17	.14	.11	.12	.11	.17	.12	.20
Sidney	.19	.16	.19	.02	.09	.04	-.12	-.13	-.11	.03	.11	.07

1993

Town/Date	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Alma	.14	.10	.13	.13								
Elm Creek	.16	.15	.13	.13								
Gothenburg	.11	.07	.10	.10								
Grant	.18	.13	.14	.14								
Gurley	.07	-.03	.03	.07								
Hemingford	.12	.07	.13	.18								
Imperial	.16	.12	.16	.15								
Kearney	.11	.07	.10	.11								
Lexington	.11	.07	.08	.12								
Maywood	.17	.12	.15	.14								
McCook	.14	.10	.14	.13								
Merna	.16	.12	.13	.15								
North Platte	.12	.08	.12	.12								
Ord	.15	.10	.10	.12								
Ravenna	.14	.09	.13	.14								
Sidney	-.03	-.08	.03	.10								