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### Basis hitting soybean growers

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Even though soybean prices are at record levels, they could be better, according to a study funded by the soybean checkoff program. The study found that the soybean basis has gradually, yet consistently, become wider and more negative during the last five years.

That widening basis has consequence for Nebraska soybean growers, said Greg Greving of Chapman. Greving is a soybean grower and serves on the Nebraska Soybean Board and the Soy Transportation Coalition.

Soybean basis is the difference between the local cash price and the nearby futures price on the Chicago Board of Trade (CBOT). The difference between the local cash price and futures price is due to transportation costs, storage costs, interest accrued, local supply-and-demand conditions and other factors.

"Soybean basis has been widening in recent years, meaning that many producers are getting a smaller share of the CBOT price," said **Mark Newman, president of Market Solutions LLC**.

Newman conducted the analysis of soybean basis for the Soy Transportation Coalition. Because soybean prices are currently relatively high, he said, many producers may not notice the money they are losing to increased basis.

"If and when overall price levels fall, there is no reason to think that basis will narrow, especially if the widening is because transportation costs have increased," Newman said.

According to the report, soybean basis differed by as much as \$1.80 per bushel among the states studied.

Greving said currently, taking the basis as a percentage, it's about 85 cents in Central Nebraska.

"But, last fall, at harvest time, it was \$1.30 per bushel," he said. "While soybeans are now selling for around \$11 per bushel, at harvest time that price was over \$7 per bushel. That's about 10 percent of the price."

Greving said that type of basis can cost Nebraska soybean growers literally millions of dollars annually.

"That's why we are trying to determine how much of that basis is transportation," he said.

Nebraska is the western-most soybean-growing state. So that basis difference in shipping soybeans to the West Coast for export can make Nebraska soybeans uncompetitive in Asian markets compared to soybeans from South America.

"With the price of diesel fuels going up and the railroads raising their rates again, it is almost like they moved Nebraska 400 miles east," Greving said.

The basis study used price data from more than 2,600 locations collected by Cash Grain Bids Inc. to provide a national overview of basis change during the month of October for 2006 and 2007, compared to averages for the last five and 10 years.

Similar analysis is also presented for February and June.

"This study gives us a better understanding of the negative growth in basis levels. The next step will be to identify the degree to which transportation inefficiencies are a contributing factor," said Mike Steenhoek, executive director of the Soy Transportation Coalition.

Steenhoek said this country's transportation system should make it easier for soybean producers to be profitable and not an obstacle.

"Our goal is to help ensure that farmers receive as much value for their soybeans as possible," Steenhoek said.

The full study on soybean basis, including individual state data, can be accessed at the Soy Transportation Coalition Web site: [www.soytransportation.org](http://www.soytransportation.org). Click on "Soybean Basis Developments."