



NEW STUDY: SOYBEAN BASIS CONTINUES TO DETERIORATE

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A study by the Soy Transportation Coalition (STC) highlights the potential loss of revenue for soybean farmers across the country. The study, funded by the soybean checkoff program, identifies how the soybean basis has gradually, yet consistently, become wider and more negative during the last five years.

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," says Mark Newman, president of **Market Solutions LLC**. He conducted the analysis of soybean basis for the STC.

"Soybean prices are currently relatively high, so 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," says Newman.

The STC report showed that soybean basis differed by as much as \$1.80 per bushel among the states studied. (See maps.) For example, the cash price at local elevators in North Dakota and South Dakota were some of the lowest paid to growers.

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 ten 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," says Mike Steenhoek, executive director of the Soy Transportation Coalition.

"Our transportation system in this country should make it easier for soybean producers to be profitable, it should not be an obstacle. Our goal is to help ensure that farmers receive as much value for their soybeans as possible," says Steenhoek.

"Studying basis growth and the cause for it will allow the STC to focus attention on those transportation challenges that have the greatest impact on a farmer's bottom line," says Steenhoek.

The full study on soybean basis, including individual state data, can be accessed at the STC Web site: www.soytransportation.org. Click on "Soybean Basis Developments."

The Soy Transportation Coalition was recently established by seven state soybean organizations, the American Soybean Association, United Soybean Board, National Grain and Feed Association and National Oilseed Processors Association. The primary goal of the STC is to position the soybean industry to benefit from a transportation system that is cost effective, reliable, and competitive.

Funded by the soybean checkoff.