

GazetteOnline

Article published: Dec 27, 2007

Farmers get less locally for beans than CBOT price

By George C. Ford

The Gazette

george.ford@gazettecommunications.com

Farmers are getting less money for their soybeans than the futures price quoted daily on the Chicago Board of Trade, according to a new study commissioned by the Iowa Soybean Association and the multistate Soy Transportation Coalition.



Bobby Ratliff/KCRG-TV9)

Semi trucks carrying soybeans wait to be unloaded at Cargill in northeast Cedar Rapids in this February 2004 file photo. A study commissioned by the Soybean Transportation Coalition found that farmers selling soybeans in October at the Cargill plant received 70.09 cents less per bushel than the Chicago Board of Trade futures price. The price disparity, which ranged as high as \$1.80 per bushel in North Dakota and South Dakota, is attributed to higher transportation costs, local supply and demand, and other factors.

The study, funded by the soybean checkoff program, identifies how the price disparity — known as the soybean basis — has gradually and consistently become wider and more negative over the last five years. The disparity is blamed on higher transportation costs, storage costs, interest accrued, local supply and demand conditions, and other factors.

Mark Newman, president of Market Solutions in Chevy Chase, Md., which conducted the analysis of 2,600 locations, said soybean producers have been taking a hit in the wallet without becoming acutely aware of the lost revenue.

"Soybean prices are currently relatively high, so many producers may not notice the money they are losing to increased basis," Newman said. 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."

The study, conducted in October, found that soybean basis differed by as much as \$1.80 per bushel among the states included in the sampling. The cash price at local elevators in North Dakota and South Dakota were some of the lowest paid to growers.

In Iowa, the disparity in October ranged from 63.87 cents per bushel less at Cenex Harvest States in Davenport to \$1.15 per bushel at Five Star Farmers Co-op in Nashua.

At Cargill in Cedar Rapids, the price paid to soybean farmers was 70.09 cents per bushel less than the Chicago Board of Trade futures price. The disparity was 66.39 cents per bushel at Archer Daniels Midland in Des Moines.

The study used price data 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 also was performed for February and June.

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

"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."

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