



CENTER FOR AGRICULTURAL PROFITABILITY

Institute of Agriculture and Natural Resources

Grain Marketing for 2025

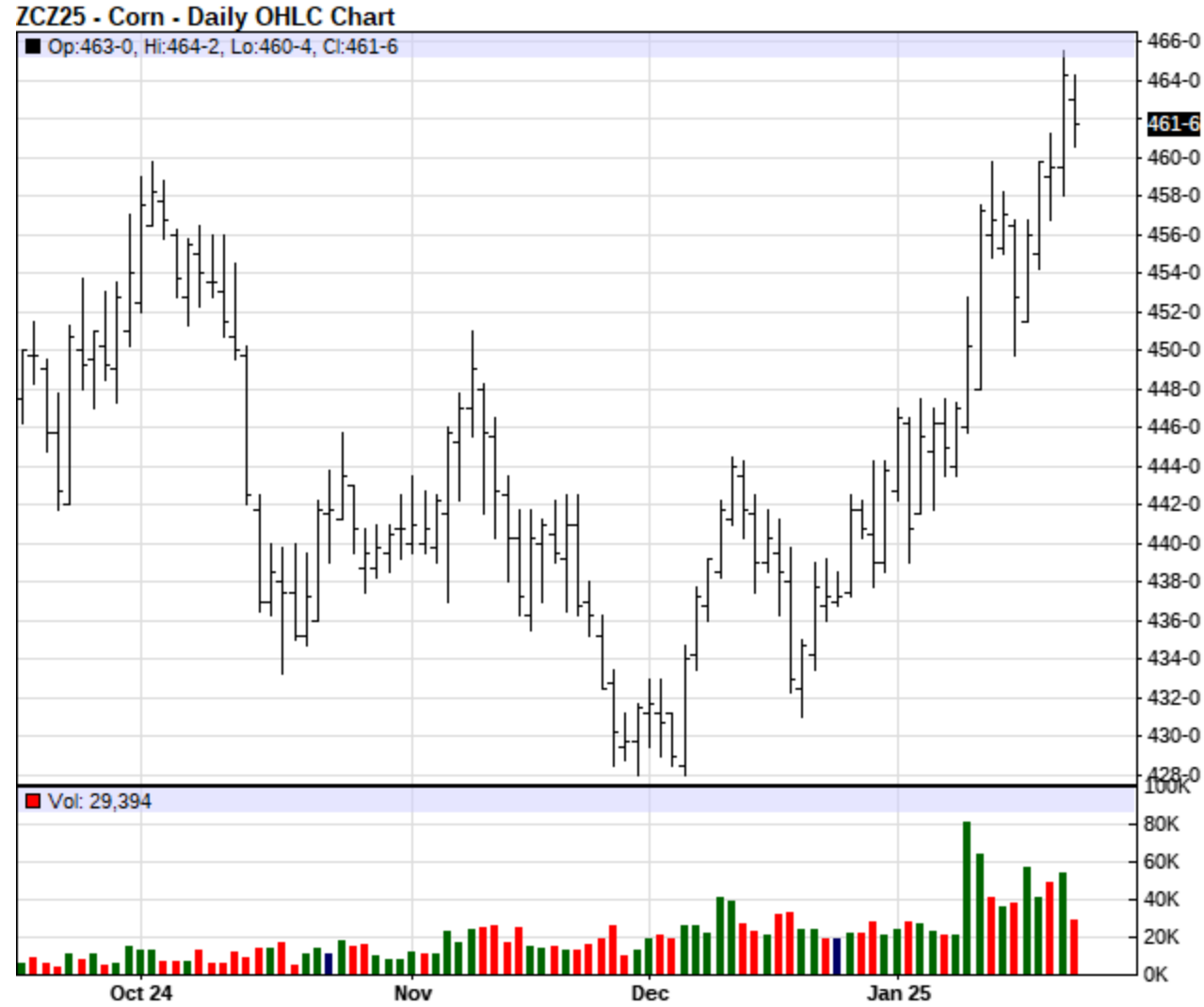
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Why a futures market?

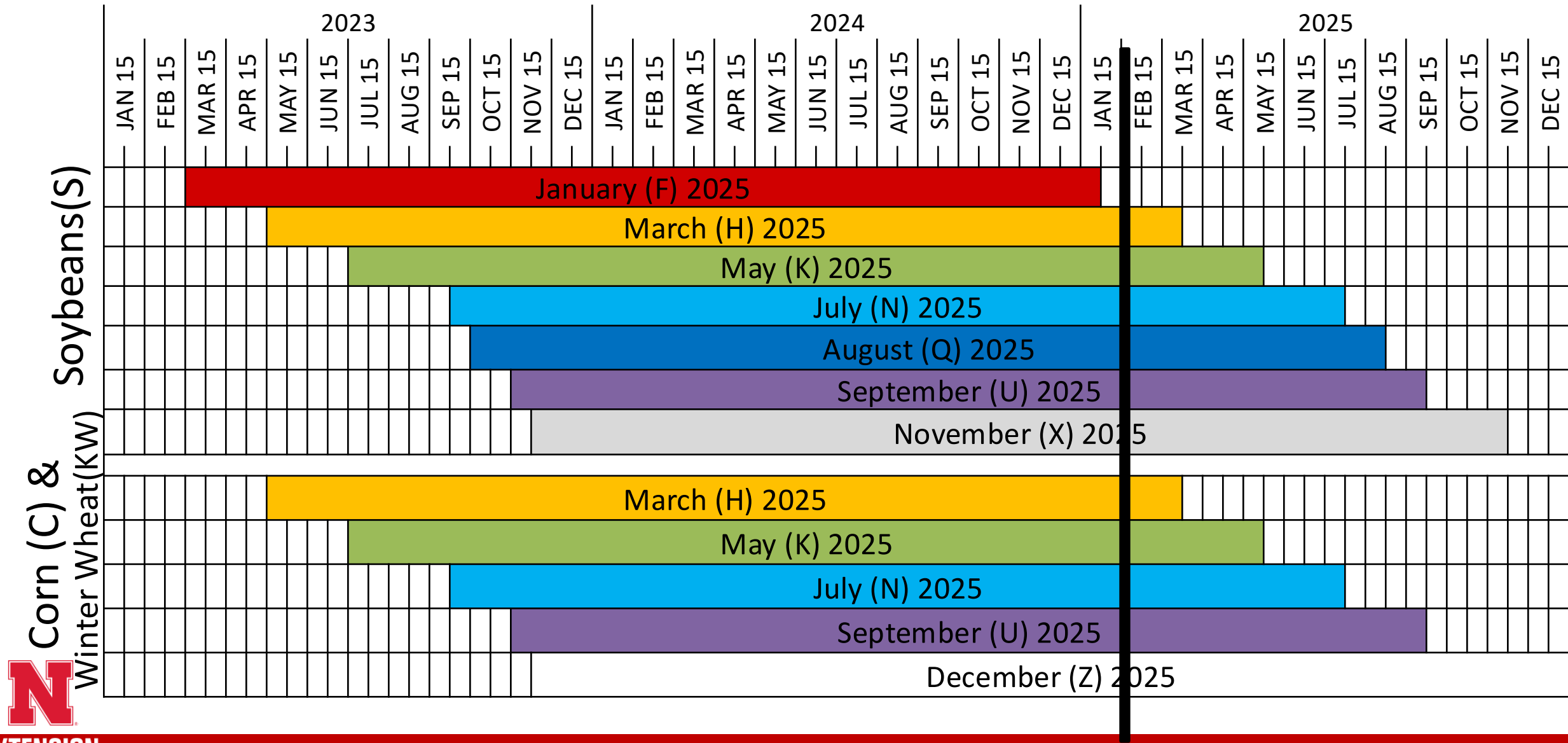


Futures Markets

- ➡ An auction market in which participants buy and sell standardized future contracts
 - Terms are set, except for price
 - Multiple delivery months (and years) traded at once
 - TERMINATION: The business day prior to the 15th calendar day of the contract month.



Futures Markets



Delivery Period

- ➡ Futures contracts specify delivery periods, usually the last 2 weeks for the contract.
- ➡ You will not be able to contract during the delivery period
 - Elevators often “roll” to the next contract before or during the delivery period
- ➡ Grain buyers may have multiple delivery periods per contract



Trading Codes

Month

ZC **Z** **25**

Commodity Code

Year

The diagram illustrates the components of the trading code 'ZCZ25'. The code is split into three parts: 'ZC' in red, 'Z' in blue, and '25' in black. A blue bracket below 'ZC' is labeled 'Commodity Code'. A blue bracket above 'Z' is labeled 'Month'. A blue bracket below '25' is labeled 'Year'.



Trading Codes

- ➔ Commodities: Corn (**ZC** or **C**), Soybeans (**ZS** or **S**), Hard Red Winter Wheat (**KE** or **KW**)
- ➔ Months: January (**F**), February (**G**), March (**H**), April (**J**), May (**K**), June (**M**), July (**N**), August (**Q**), September (**U**), October (**V**), November (**X**), December (**Z**)
 - Soybeans 7 contracts/year (F, H, K, N, Q, U, and X)
 - Corn & Hard Red Winter Wheat 5 contracts per year (H, K, N, U, and Z)



Trading Codes

- ➡ “new crop” contract – contract closest to expiration at harvest (Pre-harvest marketing)
 - Dec (Z) for Corn
 - Nov (X) for Soybeans
 - Jul (N) for Winter Wheat
- ➡ “nearby” contract – contract closest to expiration (Post-harvest marketing)

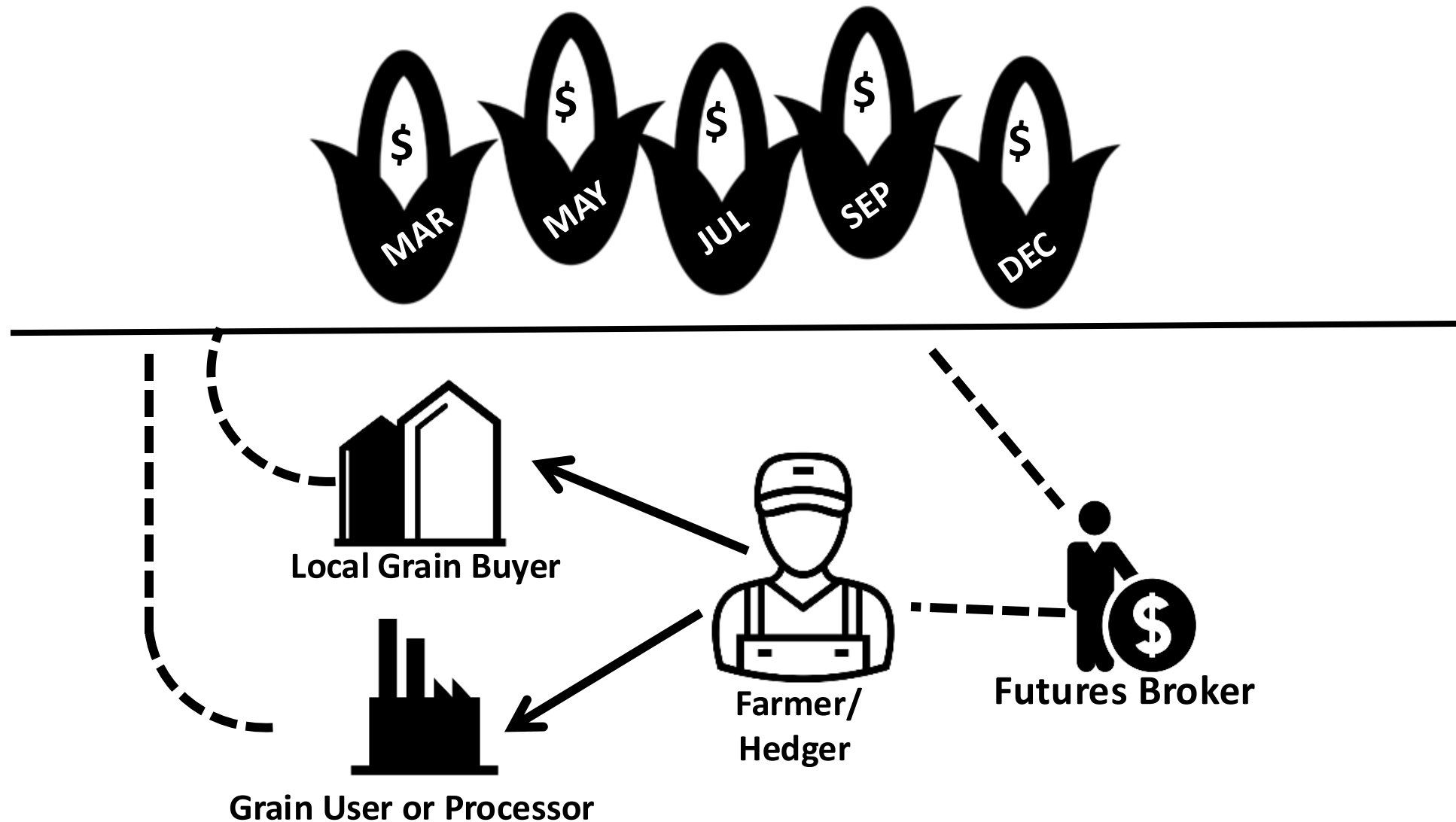


🔊 **Winter Producer Meetings:** January 28th & 29th [Click Here to Learn More](#)

CORN

Location	Delivery End	Basis Month	Basis	Cash Price	Futures Price	Fut. Chg.	
Hastings	01/31/2025	Mar 2025	-40.00	<u>\$4.47</u>	487-2	-2-4	← OLD CROP (24)
Hastings	02/28/2025	Mar 2025	-37.00	<u>\$4.50</u>	487-2	-2-4	← OLD CROP (24)
Hastings	03/31/2025	Mar 2025	-37.00	<u>\$4.50</u>	487-2	-2-4	← OLD CROP (24)
Hastings	10/31/2025	Dec 2025	-29.00	<u>\$4.33</u>	461-6	-2-4	← NEW CROP (25)

How is my local cash price determined?



Basis = Cash Price – Futures Price



Basis = Cash Price – Futures Price

➡ Basis represents:

- Transportation and handling costs to move product from current location to point of delivery
 - Storage costs
 - Expected supply & demand
 - Cattle
 - Supply & demand of transportation services
 - Variations in grade
 - Unavailability of substitutes
-
- Elevators may charge a different basis for each delivery location, and delivery period.



Elevators may charge a different basis for each delivery location, and delivery period.

FRONTIER COOP GRAIN BIDSHEET

Date: July 10, 2024

		3.9575	3.9575	3.9575	4.0725	4.0725	4.0725	11.1325	11.1325	10.6700	10.6700	10.6700	10.8200	5.6550	5.6550
Location		Corn						Beans						Wheat	
		July	Aug	Sept	Oct 24	Nov	Dec	July	Aug	Sept	Oct 24	Nov	Dec	July	Aug
		+2	+2	+2	-2	-2	-2	-18	-18	-13	-13	-13	-13	-12	-12
Adams	408	3.87 <small>-0.09 ZCU24</small>	3.76 <small>-0.20 ZCU24</small>	3.70 <small>-0.26 ZCU24</small>	3.72 <small>-0.35 ZCZ24</small>	3.72 <small>-0.35 ZCZ24</small>	3.78 <small>-0.29 ZCZ24</small>	10.37 <small>-0.76 ZSQ24</small>	10.25 <small>-0.88 ZSQ24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.12 <small>-0.70 ZSF25</small>	5.11 <small>-0.55 KEU24</small>	5.11 <small>-0.55 KEU24</small>
Avoca	414	3.71 <small>-0.25 ZCU24</small>	3.60 <small>-0.36 ZCU24</small>	3.56 <small>-0.40 ZCU24</small>	3.68 <small>-0.39 ZCZ24</small>	3.68 <small>-0.39 ZCZ24</small>	3.74 <small>-0.33 ZCZ24</small>	10.35 <small>-0.78 ZSQ24</small>	10.23 <small>-0.90 ZSQ24</small>	10.00 <small>-0.67 ZSX24</small>	10.00 <small>-0.67 ZSX24</small>	10.00 <small>-0.67 ZSX24</small>	10.10 <small>-0.72 ZSF25</small>		
Belgrade	108	3.95 <small>-0.01 ZCU24</small>	3.84 <small>-0.12 ZCU24</small>	3.79 <small>-0.17 ZCU24</small>	3.74 <small>-0.33 ZCZ24</small>	3.74 <small>-0.33 ZCZ24</small>	3.80 <small>-0.27 ZCZ24</small>	10.33 <small>-0.80 ZSQ24</small>	10.21 <small>-0.92 ZSQ24</small>	10.03 <small>-0.64 ZSX24</small>	10.03 <small>-0.64 ZSX24</small>	10.03 <small>-0.64 ZSX24</small>	10.13 <small>-0.69 ZSF25</small>		
Bellwood	211	3.99 <small>0.03 ZCU24</small>	3.88 <small>-0.08 ZCU24</small>	3.82 <small>-0.14 ZCU24</small>	3.76 <small>-0.31 ZCZ24</small>	3.76 <small>-0.31 ZCZ24</small>	3.82 <small>-0.25 ZCZ24</small>	10.39 <small>-0.74 ZSQ24</small>	10.27 <small>-0.86 ZSQ24</small>	10.03 <small>-0.64 ZSX24</small>	10.03 <small>-0.64 ZSX24</small>	10.03 <small>-0.64 ZSX24</small>	10.13 <small>-0.69 ZSF25</small>		
Bennet	417	3.80 <small>-0.16 ZCU24</small>	3.69 <small>-0.27 ZCU24</small>	3.64 <small>-0.32 ZCU24</small>	3.68 <small>-0.39 ZCZ24</small>	3.68 <small>-0.39 ZCZ24</small>	3.74 <small>-0.33 ZCZ24</small>	10.39 <small>-0.74 ZSQ24</small>	10.27 <small>-0.86 ZSQ24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.12 <small>-0.70 ZSF25</small>		
Brainard	220	3.98 <small>0.02 ZCU24</small>	3.87 <small>-0.09 ZCU24</small>	3.81 <small>-0.15 ZCU24</small>	3.78 <small>-0.29 ZCZ24</small>	3.78 <small>-0.29 ZCZ24</small>	3.84 <small>-0.23 ZCZ24</small>	10.43 <small>-0.70 ZSQ24</small>	10.31 <small>-0.82 ZSQ24</small>	10.05 <small>-0.62 ZSX24</small>	10.05 <small>-0.62 ZSX24</small>	10.05 <small>-0.62 ZSX24</small>	10.15 <small>-0.67 ZSF25</small>		
Bruno	293	3.82 <small>-0.14 ZCU24</small>	3.71 <small>-0.25 ZCU24</small>	3.65 <small>-0.31 ZCU24</small>	3.68 <small>-0.39 ZCZ24</small>	3.68 <small>-0.39 ZCZ24</small>	3.74 <small>-0.33 ZCZ24</small>	10.37 <small>-0.76 ZSQ24</small>	10.25 <small>-0.88 ZSQ24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.02 <small>-0.65 ZSX24</small>	10.12 <small>-0.70 ZSF25</small>		
Burr	511	3.73 <small>-0.23 ZCU24</small>	3.62 <small>-0.34 ZCU24</small>	3.58 <small>-0.38 ZCU24</small>	3.66 <small>-0.41 ZCZ24</small>	3.66 <small>-0.41 ZCZ24</small>	3.72 <small>-0.35 ZCZ24</small>	10.35 <small>-0.78 ZSQ24</small>	10.23 <small>-0.90 ZSQ24</small>	10.00 <small>-0.67 ZSX24</small>	10.00 <small>-0.67 ZSX24</small>	10.00 <small>-0.67 ZSX24</small>	10.10 <small>-0.72 ZSF25</small>		



Basis = Cash Price – Futures Price

- ➡ “Under” – Cash price is less than futures price
 - Basis is Negative
 - Local supply is abundant compared to perceived demand
- ➡ “Over” – Cash price is above the futures price
 - Basis is Positive
 - Local supply limited compared to perceived demand



Basis = Cash Price – Futures Price

➡ “Strong”

- Higher or less negative **than expected**
- Market IS demanding grain
- Perceived demand is higher than supply



➡ “Weak”

- Lower or more negative **than expected**
- Market is NOT demanding grain
- Perceived demand is lower than supply

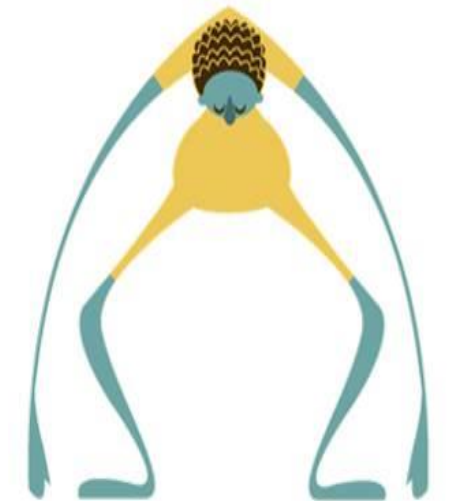


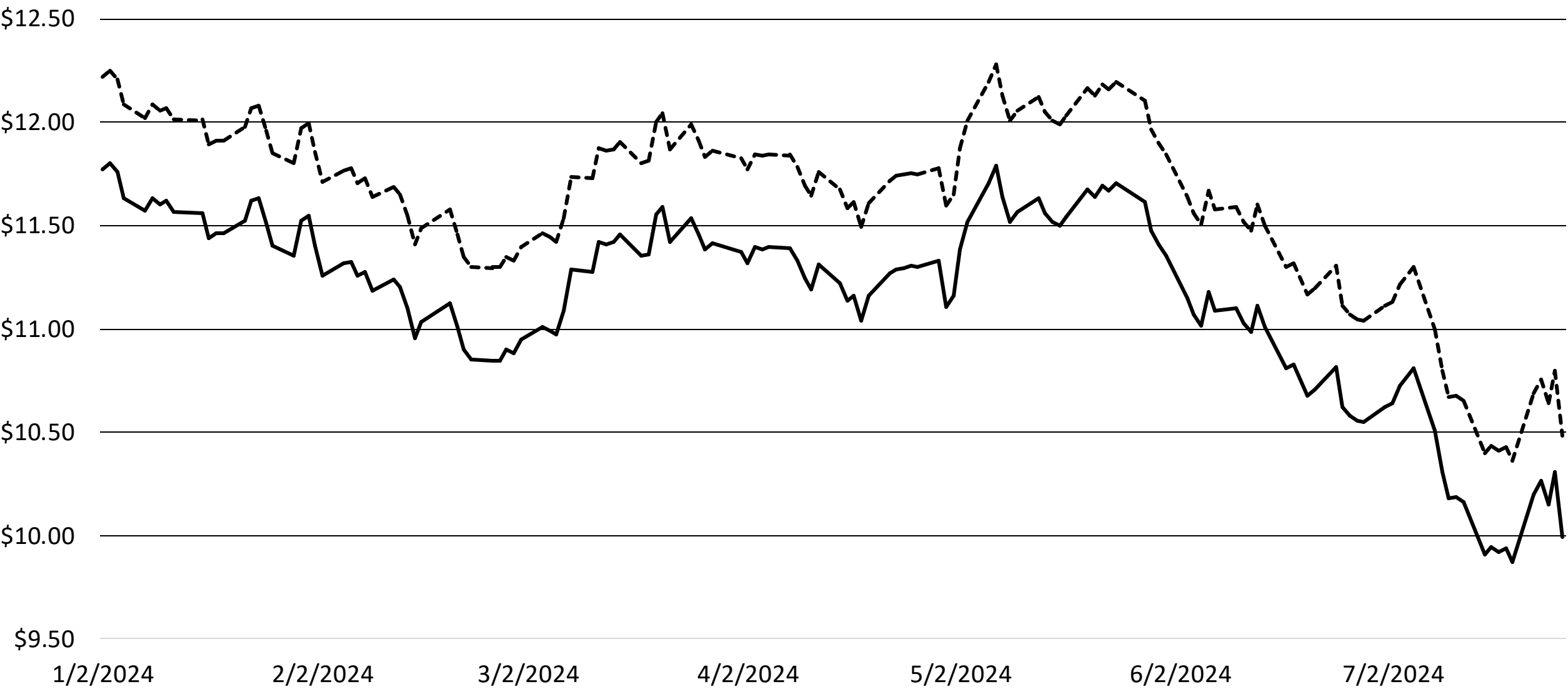
Image Source: Google <http://www.naomikoffman.com/2012/03/25/the-opposite-party/>
Naomi L. Koffman, Mixed Media Artist

Futures Price and Basis

- ➔ Futures prices and basis typically move opposite of one another
- ➔ This relationship is not 1:1, i.e. a \$0.01/bu. increase in futures price does not always equate to a \$0.01/bu. decrease in basis
- ➔ However, in rare/extreme events – like the 2012 drought – they may trend together



2024 November Soybean Closing Price &
Cash Bids - Farmers Win Coop, Waverly, IA

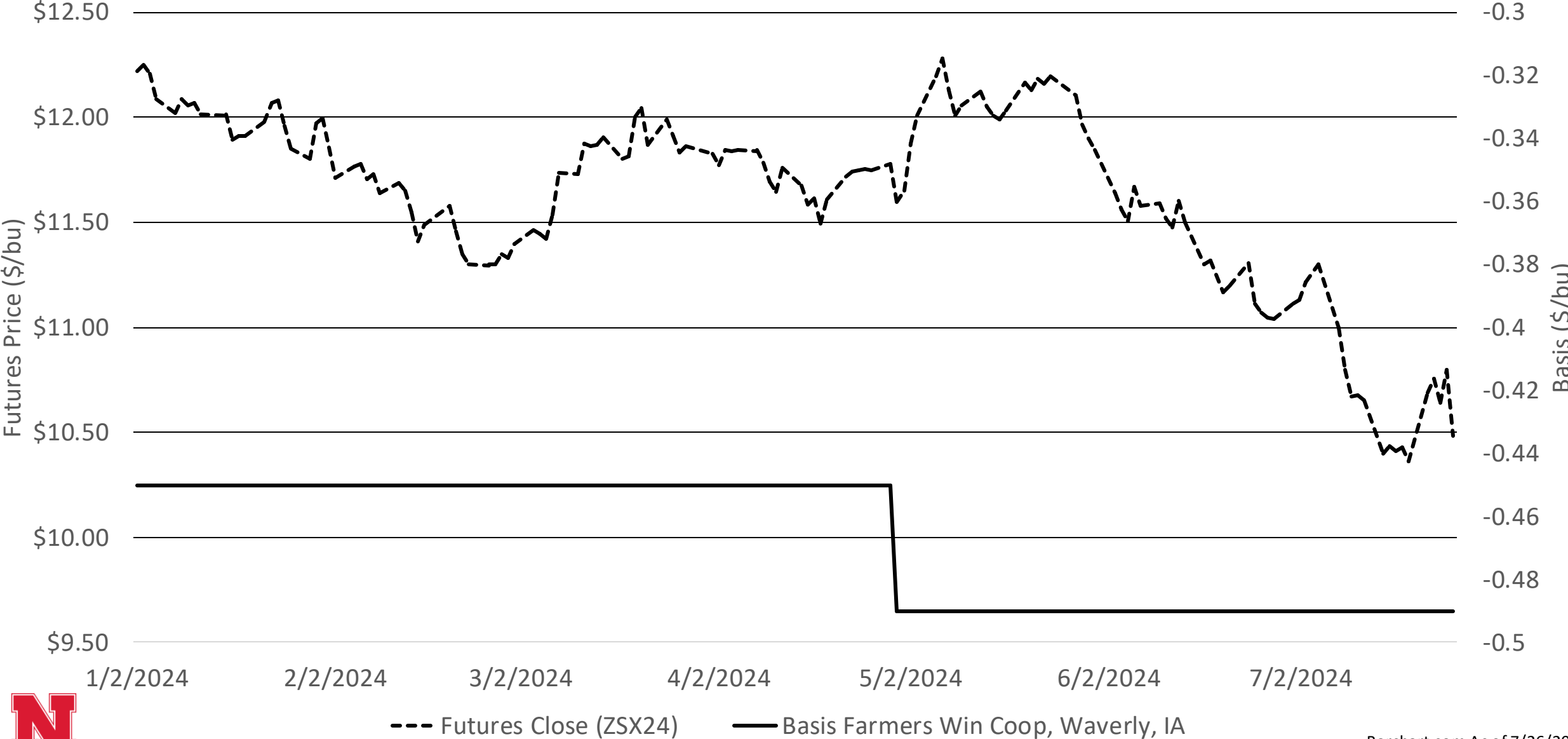


--- Futures Close (ZSX24) — Cash - Farmers Win Coop, Waverly, IA

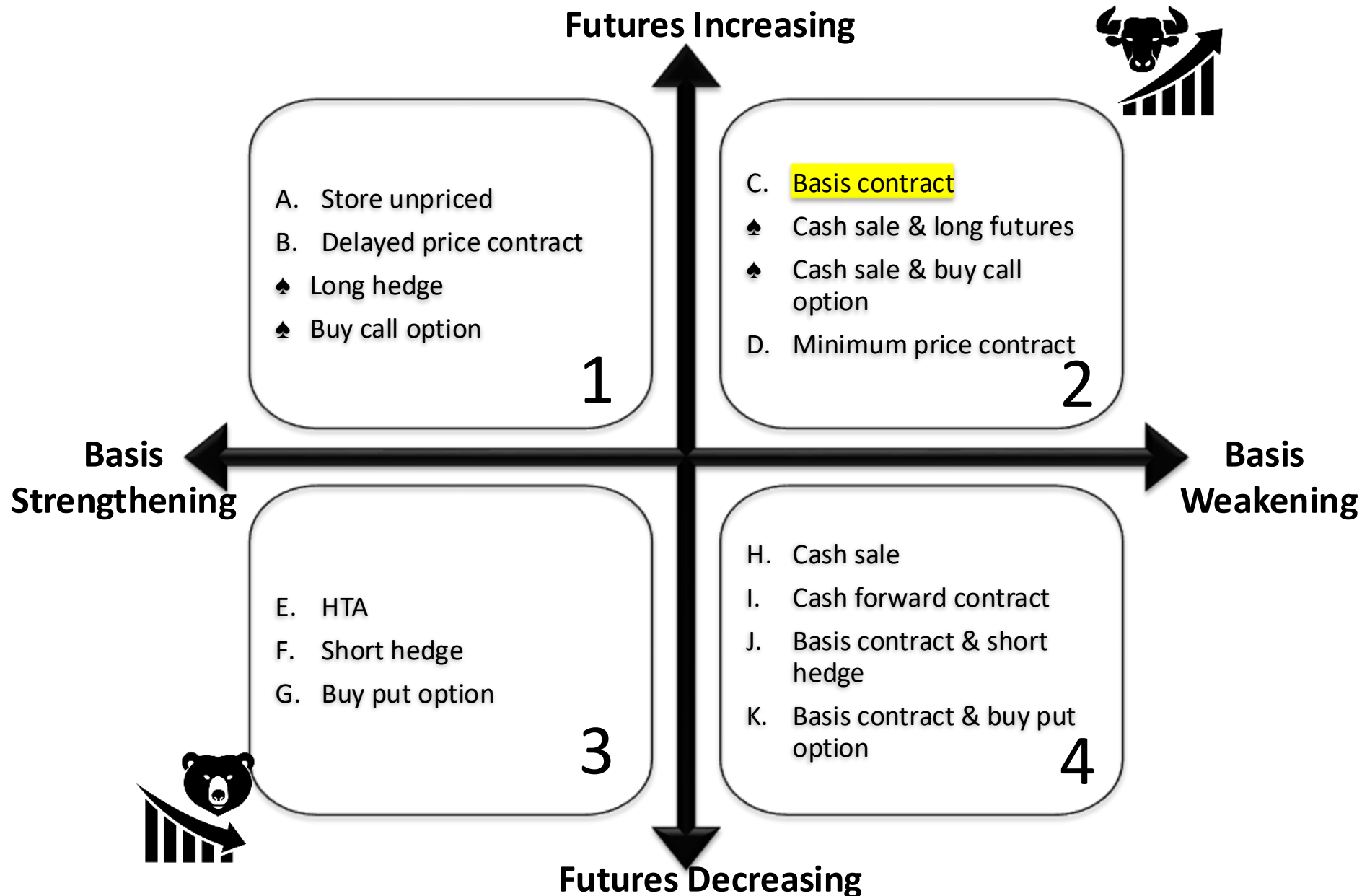
Barchart.com As of 7/26/2024



2024 November Soybean Contract &
Basis- Farmers Win Coop, Waverly, IA



Tools: Cash Contracts



2 C. Basis contract

Deliver grain and set basis now with local elevator, set futures later.

Pros

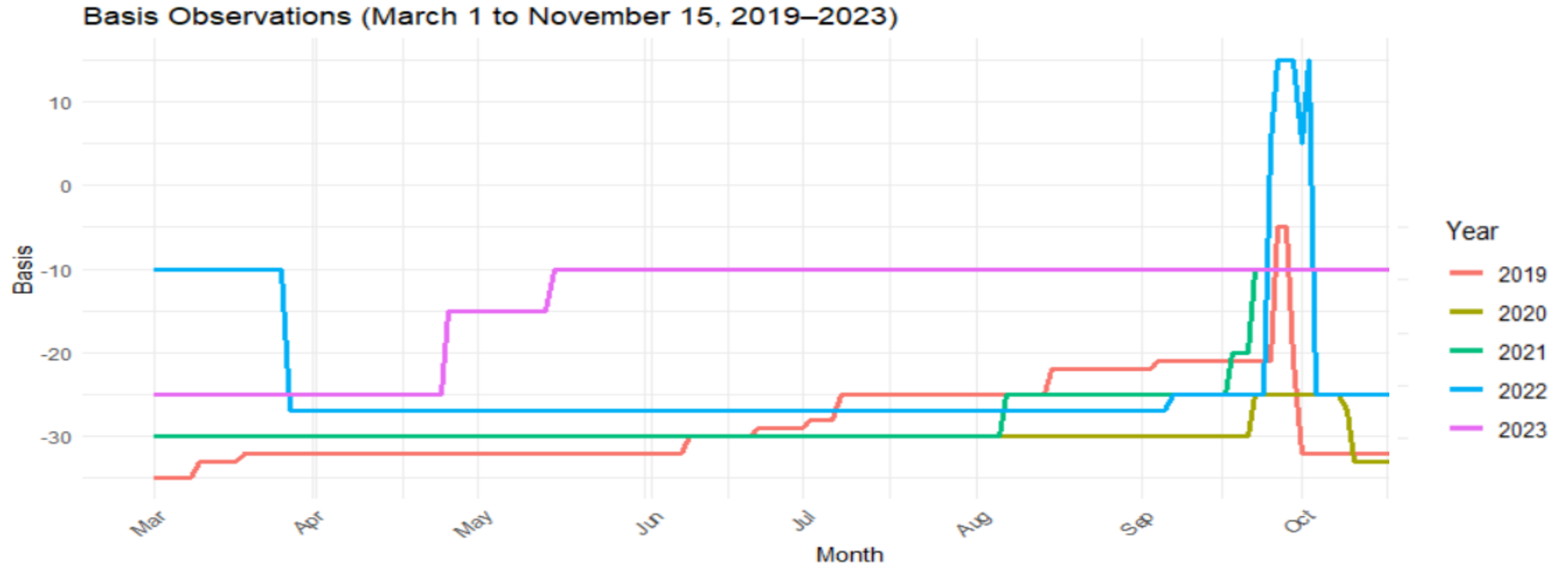
- + Basis cannot weaken
- + Not limiting upside futures price movement

Cons

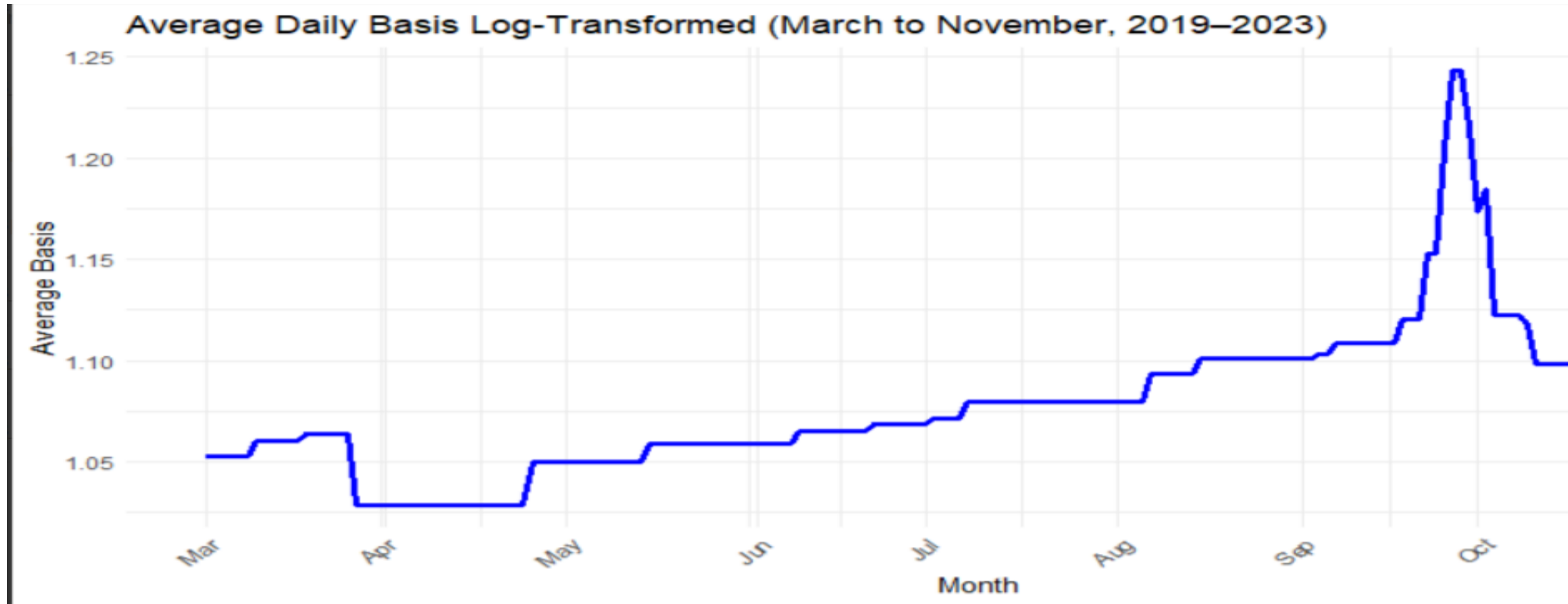
- Basis cannot strengthen
- Still risk downside futures movement
- Service fees, \$0.01-\$0.02/bu.
- Additional fees to roll the contract to a later month
 - May also adjust basis to compensate for market carry
- Locked into specific delivery location and TIME
- Penalties if you cannot deliver contracted bushels



Basis – Past Five years.



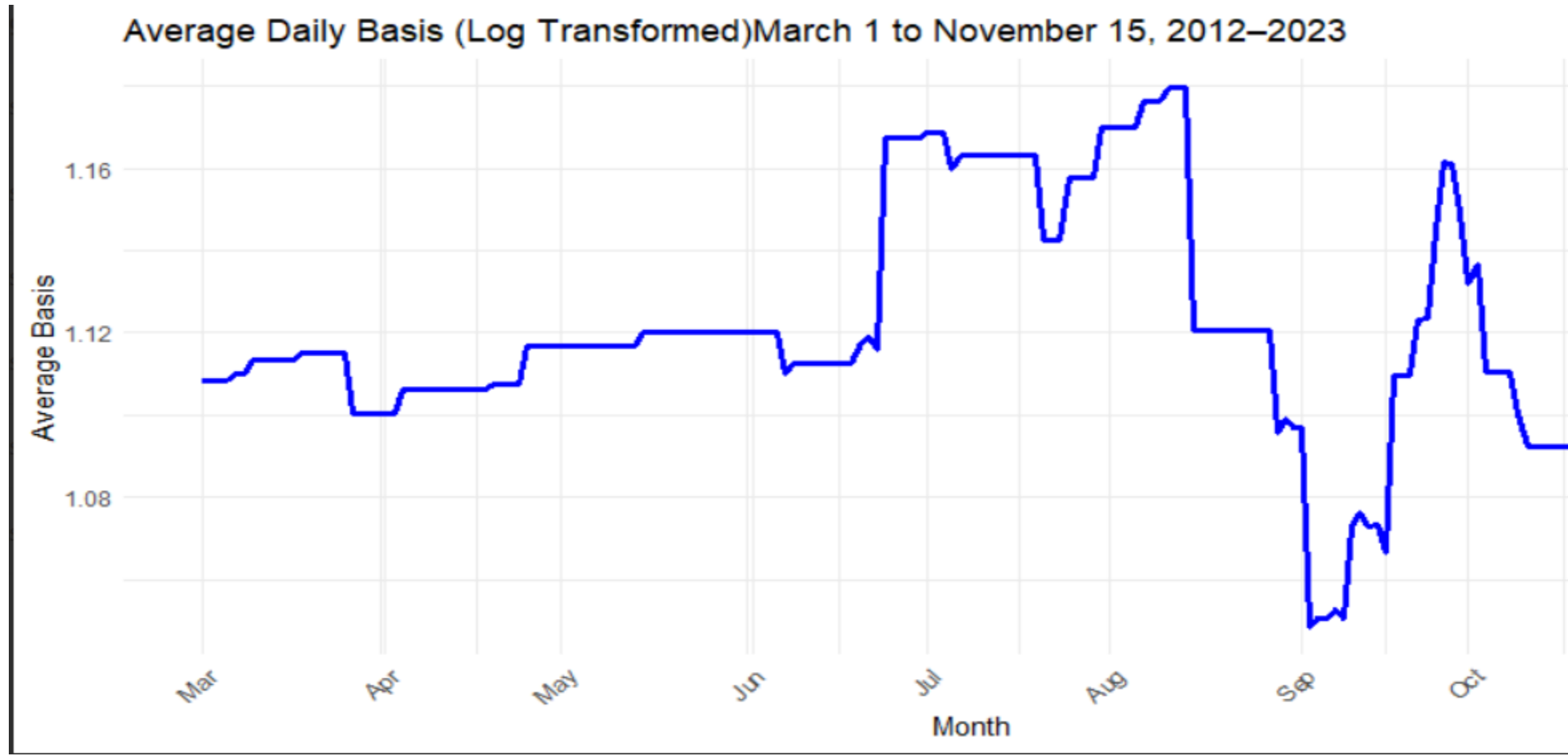
Last Five Years basis, Ethanol Plant



- Is this true, in the long-run?

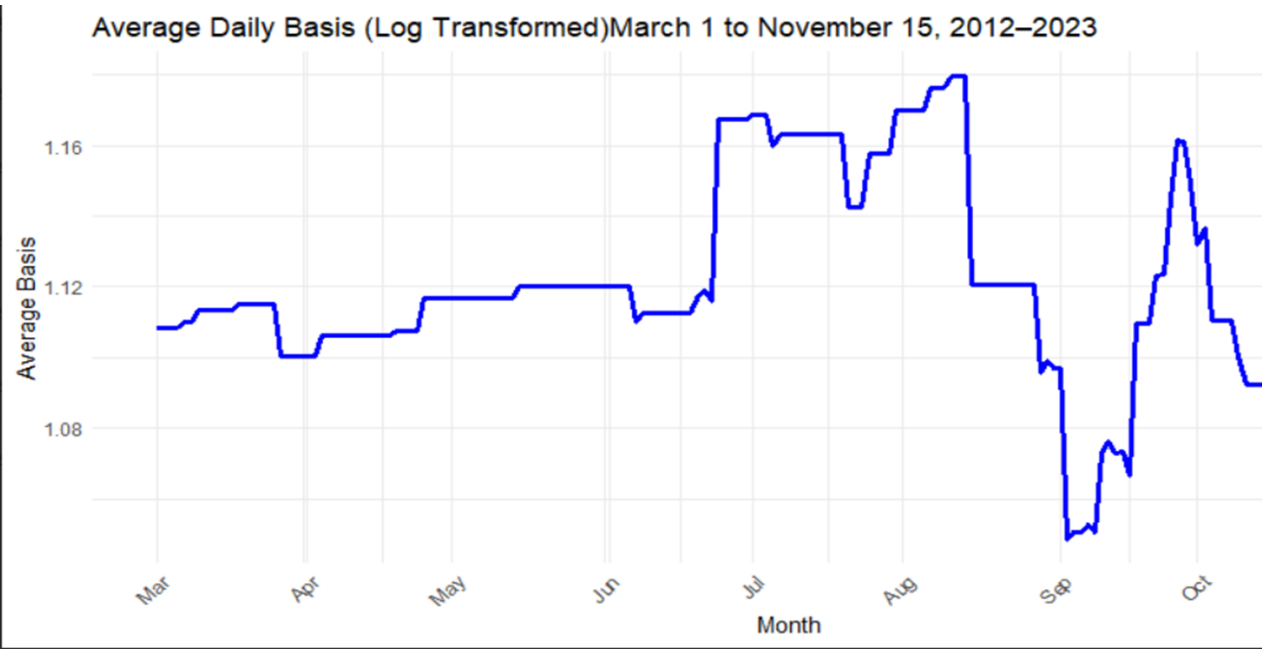


Long-run average basis. Ethanol Plant.

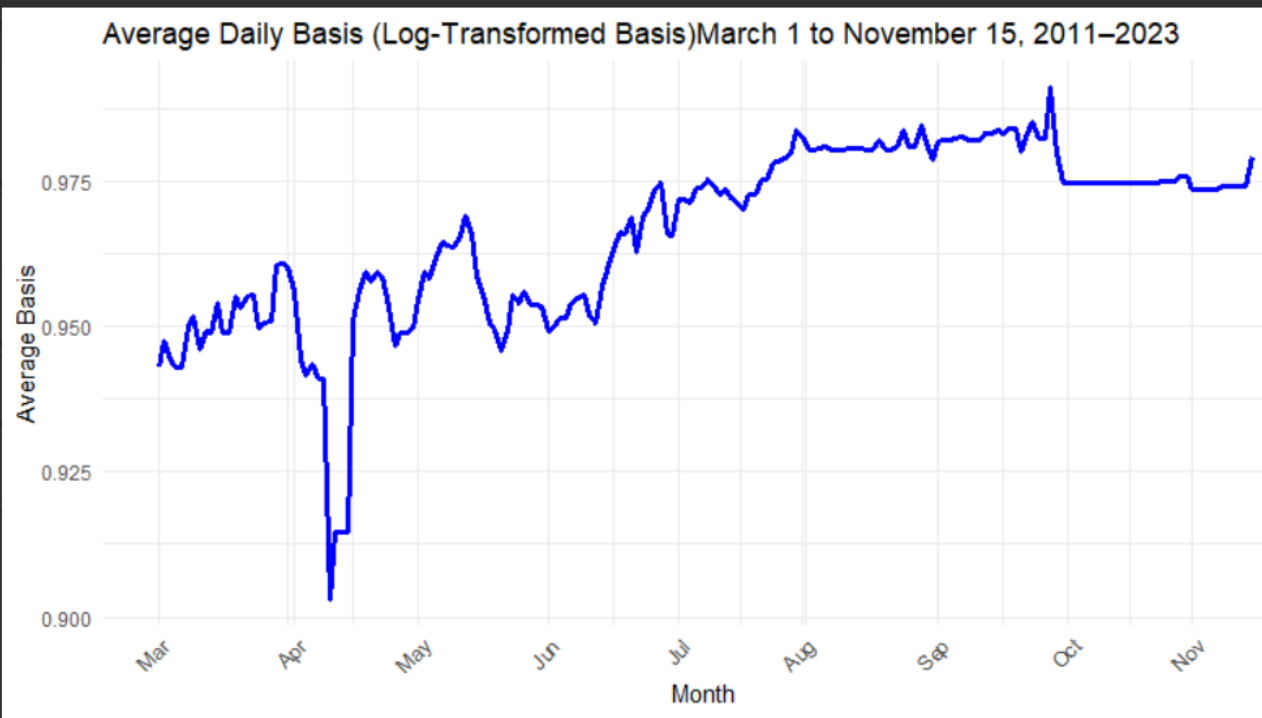


Two delivery locations
in proximity

Ethanol Plant



Non-ethanol Plant



Basis

- ➔ Follow each delivery locations you use to understand tendencies
- ➔ Engage in basis contracts when offers are favorable to past experience
- ➔ Understand that information changes
 - Some years you win, some you lose.
 - Ahead in the long-run

