

An excellent marketing opportunity for wheat and feedgrains

The current wheat basis (cash – futures) is around +10 cents. The average for the previous 5 years is –70 cents. I'm recommending producers go ahead and market any wheat they have on hand to capture this extremely strong basis. If they think prices are going to rise they can re-own the wheat by buying the board or buying a call using the December contract. That will allow them to capture the extremely strong basis and remain in the market if they wish.

How unusual is this basis? I checked the data back to 1976 and we have *never* had a positive basis at this time of year (I'm not certain we ever had a positive basis for wheat in the area).

Why is this happening? In my opinion, the pipeline for feed and other uses is basically empty. End users are scrambling for anything they can use and are willing to pay a premium.

What do I expect will happen? I expect the basis to fall as the new crop corn which is anticipated to be at a record level gets harvested. I don't think it is a question if it will fall but how far.

How long will this marketing opportunity exist? I think this opportunity will be around *at most* a month maybe a month and a half max. *The sooner they can take advantage of this, the better.*

Note: The same advice applies to any supplies of feedgrains they might have on hand. The current corn basis is around +\$1.45/bushel. That is approximately \$1.30 - \$1.40 above our normal basis.

Again, a great marketing opportunity is here but the window may be closing fast.

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