

Fall 2019

How much does basis need to rally for Price Later to pay over Extended Price?

Soybeans

Month	Futures Spread <i>(Future Month - Nov. Futures)</i>	Basis Spread <i>(Deferred month basis - spot basis)</i>	Storage Costs <i>(monthly storage)</i>	Interest Cost <i>(4 cent per month)</i>	Basis Rally Needed for PL to pay over EP
Nov-->January	\$0.1475	-\$0.08	-\$0.14	-\$0.08	\$0.1525
Nov-->March	\$0.2575	-\$0.13	-\$0.24	-\$0.28	\$0.3925
Nov-->May	\$0.3275	-\$0.13	-\$0.32	-\$0.24	\$0.3625
Nov-->July	\$0.4125	-\$0.13	-\$0.40	-\$0.40	\$0.5175
Nov-->August	\$0.4475	-\$0.13	-\$0.44	-\$0.44	\$0.5625
Example: *Nov-->July	The July 2020 futures are 41.25 cents higher than the current November 2019 futures.	CFE's July 2020 basis is 13 cents worse than current spot basis	The cost to store soybeans from Nov. 1st til July would be about 40 cents.	The cost of money of storing beans til July would be about 40 cents.	To have PL pay over EP, from fall to July, soybean basis needs to rally 51.75 cents

Corn

Month	Futures Spread <i>(Future Month - Dec. Futures)</i>	Basis Spread <i>(Spot basis - deferred month basis)</i>	Storage Costs <i>(monthly storage)</i>	Interest Cost <i>(2 cent per month)</i>	Basis Rally Needed for PL to pay over EP
Dec-->March	\$ 0.0975	\$ (0.06)	\$ (0.24)	\$ (0.08)	0.2825
Dec-->May	\$ 0.1550	\$ (0.07)	\$ (0.32)	\$ (0.12)	0.355
Dec-->July	\$ 0.1925	\$ (0.08)	\$ (0.40)	\$ (0.20)	0.4875
Dec-->September	\$ 0.1075	\$ (0.08)	\$ (0.44)	\$ (0.22)	0.6325
Example: *Dec--> July	The July 2020 futures are 19.25 cents higher than the current Dec 2019 futures.	CFE's July 2020 basis is 8 cents worse than current spot basis	The cost to store corn from Nov. 1st til July would be about 40 cents.	The cost of money of storing beans til July would be about 20 cents.	To have PL pay over EP, soybean basis needs to rally 48.75 cents