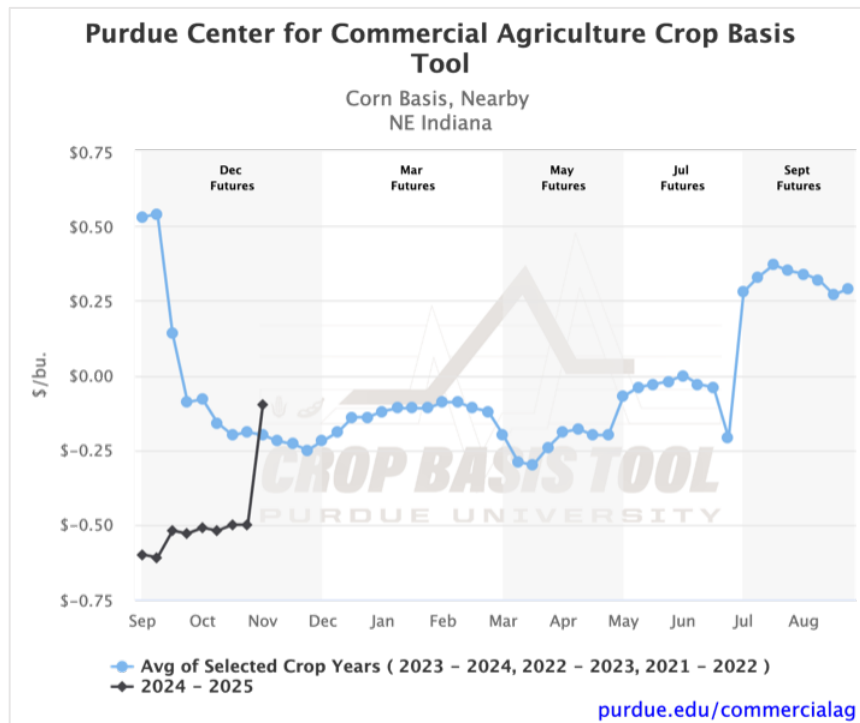


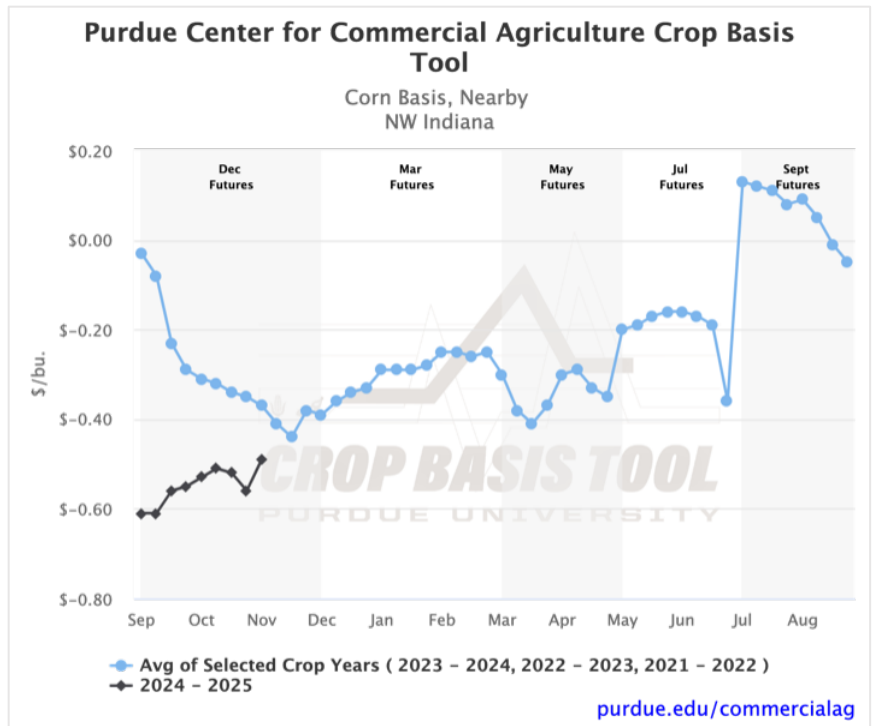
Indiana Corn and Soybean Basis Rally Heading into November

By Josh Strine

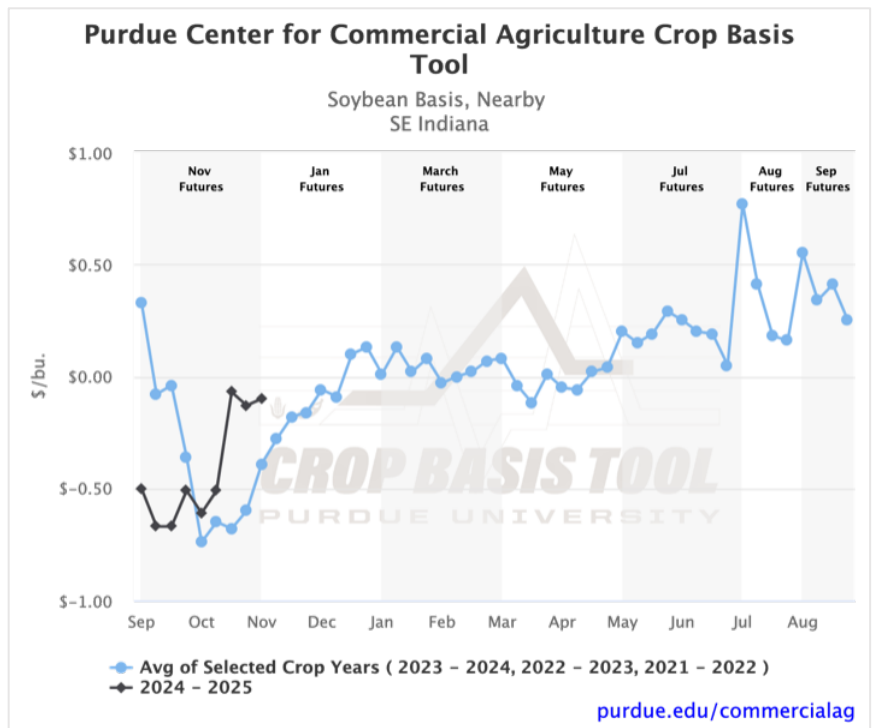
In the month leading up to the most recent crop basis update, distinct trends in the Northern and Southern parts of Indiana were observable. Over the past three weeks, there has been a consistent basis strengthening across Indiana for both corn and soybeans. In every part of the state, corn and soybean basis were greater on November 6th than on October 10th. In most cases, this has meant that basis levels have exceeded the three-year average for the first time this year.

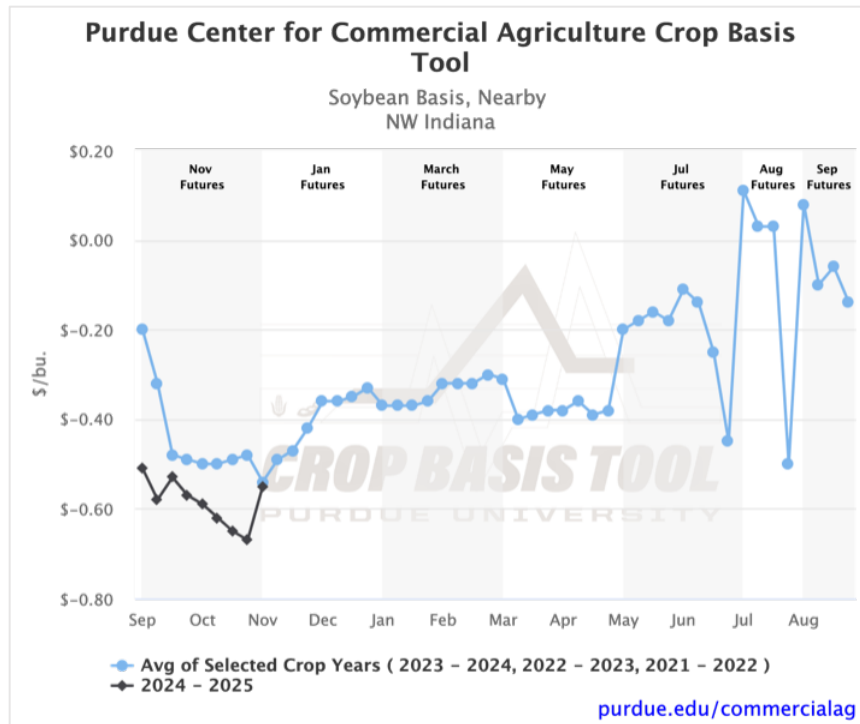
Looking closer at the corn nearby basis, Figure 1 and Figure 2 show the basis in Northeast and Northwest Indiana, respectively. These represent the two extremes in corn basis movement over the past 3 weeks. In Northeast Indiana, corn basis has strengthened by \$0.42/bu. since October 10th and is now greater than the historical average. On the other hand, corn basis in Northwest Indiana has only increased by \$0.02/bu. in the past three weeks. While the 2024 basis in the region has not exceeded the historical average, it is closer to the three-year average than last month.





Nearby soybean basis levels for Southeast and Northwest Indiana are shown in Figure 3 and Figure 4, respectively. The soybean basis strengthened the most in Southeast Indiana over the past month (\$0.41/bu.). It strengthened the least in Northwest Indiana (\$0.07/bu.). Northwest Indiana is now the only region of the state where soybean basis is still weaker than the historic average.





In every region of Indiana, soybean and corn basis have strengthened relative to October as well as the three-year average. After seeing a statewide basis strengthening over the past month, it's important to recognize how increases in basis levels can be taken advantage of. One example is a strengthening in basis within a marketing year increases the payoff of a storage hedge. Consider a farmer who harvests and stores soybeans in October and takes a short position on January soybean futures. Over the next month, future prices and local cash prices may move. In November, they decided to sell their soybeans and close their futures position by buying January futures to offset the prior sale. If local prices fell by less than the futures price (basis increase), the losses from the change in cash prices were less than the gains in the futures market, and the hedge generated additional revenue. This movement pattern is what we saw from October 9th to November 6th of this year across Indiana.

The three-year average may be used as a forecast of future basis levels. When the current basis is above the three-year average, history would suggest future strengthening may be smaller, and weakening may be greater relative to previous years. The opposite is true when the basis is below the historical average. While the historical average may give a general direction of future basis movements, 2023 is a perfect example of how basis levels can vary significantly from the three-year average. Visit the Purdue Center for Commercial Agriculture Crop Basis Tool to see how last year's basis varied from the historical average and where your local basis levels may be headed through this marketing year.