Greetings from CARD!

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Discussions risks and rewards with your merchant-
diser when you’re initiating the cash sale and basis
contract. Be sure you understand the risk of being
“long” futures and the flow of cash funds. Advan-
tages of the basis contract may include elimination
of storage costs, removing basis risk and minimiz-
ing the concern for on-farm stored corn quality.

The farmer isn’t able to take advantage of the carry
offered in the futures markets with a basis contract.
Hopefully eliminating storage costs, basis risk and
corn quality concerns will have greater advantages
than just the loss of capturing futures price carry.

With large amounts of corn in commercial and on-
farm storage, many farmers will wait impatiently
for a “sell” signal in the December futures contract
then the March futures contract. However, attrac-
tive basis and the need to generate cash may be the
primary drivers as to when farmers will move their
stored bushels onto the market this winter.

Consider using a scale-up selling strategy for us-
ing basis contracts and sell stored bushels incre-
mentally. While most basis contracts are offered
in 5,000-bushel increments, some merchandisers
might be offering them in truckload quantities
(1,000 bushels). This fits well with a scale-up sell-
ning strategy and spreads the basis risk.

The first step for a farmer is to determine the cost
of storing corn and when cash will be needed to
pay debts and generate funds for 2014. This win-
ter a farmer might avoid delivery of spot cash sale
bushels during the last half of February. That’s
when income taxes are due along with other large
payables in early March. Expect that basis may
weaken during this time frame.
of general interest to respond to in future issues, which can be submitted to us through our website.

The Agricultural Policy Review is currently scheduled for three publications a year—fall, winter and spring. However, we encourage reader feedback and suggestions at any time. Feel free to email me or our managing editor (Nathan Cook, nmcook@iastate.edu) with comments, or you can contact us on Facebook (card.iastate) or Twitter (CARD_ISU). We are anxious to hear from our readers to help us produce a high quality publication that is worth your time to read. In short (and with apologies to the New York Times), we hope to publish all the agricultural policy that’s fit to print, click or Google!

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Updates, continued from page 1

Internet Updates

The following information files have been updated on www.extension.iastate.edu/agdm.

Overview of Uniform Marketing Agreements – C5-87 (3 pages)
Sample Uniform Marketing and Delivery Agreement – C5-88 (8 pages)

Current Profitability

The following tools have been updated on www.extension.iastate.edu/agdm/info/outlook.html.

Corn Profitability – A1-85
Soybean Profitability – A1-86
Iowa Cash Corn and Soybean Prices – A2-11
Season Average Price Calculator – A2-15
Ethanol Profitability – D1-10
Biodiesel Profitability – D1-15