



BRIEFING

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January 2003 Spatial Basis Report

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Objective

Analysis

for Informed

Decision Making

This report provides an analysis of regional grain prices in the U.S. for major grain commodities during January 2003. The basis, defined as the difference between a cash price and the price in the futures market, signifies the price for a specific commodity on a local level and captures the impact of local demands, local supplies and transportation structure. Maps displayed in the following report show estimated basis prices for corn, soybeans, sorghum, barley, hard red winter (HRW) wheat, soft red winter (SRW) wheat and hard red spring (HRS) wheat.

Cash prices and basis prices from over 900 U.S. grain markets were collected daily for January 2003. A monthly average for January 2003 was computed for each location and commodity. These monthly average basis values are then used in the analysis. Geostatistical kriging procedures were used to estimate a basis 'surface' which provides an estimate of the basis for observed and unobserved locations. Locations where prices are observed for a specific commodity are denoted by a hatch mark on each map.

In addition, prices from December 2002 and January 2002 were collected for each location to compute the monthly change in basis and a yearly change in basis, respectively. Kriging methods were used to estimate the monthly and yearly change in basis over space.

Futures Market Trends for January 2003

Grain prices continued to be pressured in January 2003. Wheat futures prices, in

particular, fell 30 cents a bushel between December 2002 and January 2003. Over this same time period, corn futures were only 3 cents lower while soybean prices were 2 cents higher.

Table 1. Monthly Average Futures Prices for March 2003 and March 2002 Contracts: Cents per bushel

	Jan 03	Dec 02	Jan 02
Corn	236	239	210
Soybeans	565	563	436
SRW Wheat	320	351	299
HRW Wheat	352	385	290
HRS Wheat	379	401	304

However, futures prices still remain higher than January 2002. HRW and HRS wheat futures prices were more than 60 cents higher in January 2003 than the same month in 2002. SRW wheat futures, while stronger in the last year, were only up 30 cents a bushel. Corn prices were up 26 cents a bushel, while soybean prices were up nearly a \$1.30 in the last year.

Basis Trends for January 2003

Corn Basis

Corn basis tends to be high in three main areas of the country. The East Coast and West Coast have limited supplies of corn, but significant feed demands from pork and poultry on the Eastern seaboard, and dairy production on the Western seaboard. The Louisiana Gulf is the third major high-price region as corn flows down the Mississippi river from the Midwest for export out of the Gulf. As a result of transportation and grain flow patterns,

corn basis tends to decrease away from the Gulf or from either coast of the U.S.

For the one-month period between December 2002 and January 2003, corn basis levels changed little. For the 877 corn markets reporting prices in December 2002 and January 2003, corn basis levels increased 2 cents a bushel in this one-month period. However, regions along the Upper Mississippi river in Iowa, Minnesota and Wisconsin had generally stronger corn basis by 5 to 10 cents a bushel. The lower Mississippi River region had corn basis levels that were generally unchanged to 5 cents lower between December 2002 and January 2003.

The corn basis between January 2003 and January 2002 was 14 cents higher for the 430 locations with corn prices over this period. Strength in the corn basis was most pronounced in the Eastern and Western Corn Belt with some regions showing 25 cents or more improvement in the basis.

Soybean Basis

Like corn, soybean basis tends to be influenced by export patterns with soybeans moving south for export through the Gulf and to a lesser extent through Eastern ports. However, the presence of soybean crushing facilities in the Midwest and Southeast present important demand centers for Midwest soybeans.

Between December 2002 and January 2003, soybean basis level increased 4 cents a bushel for the 833 markets. Basis levels firmed more along the lower Mississippi River region and the Northern Plains where 5 to 10 cent improvement in basis occurred. An isolated area of Western Kansas showed a moderate decline in soybean basis of 0 to 5 cents a bushel over this one-month period.

The soybean basis between January 2003 and January 2002 was 8 cents higher for the 387 locations with soybean prices over this period. Increases of 15 to 25 cents were limited to the Northeast and parts of Minnesota and North Dakota.

Wheat Basis

Soft Red Winter (SRW) wheat tends to be produced in the Midwest and Southeast

regions of the U.S while Hard Red Winter (HRW) wheat is grown in the Plains and in the West. Hard Red Spring (HRS) wheat is produced primarily in a region stretching from Minnesota to Washington State.

Basis levels for all three wheat classes firmed only slightly between December 2002 and January 2003. SRW wheat posted a 4-cent basis improvement for the 202 markets, while HRW wheat basis increased only 1 cent for the 259 markets. HRS wheat basis was up 3 cents for the 166 markets between December 2002 and January 2003. Basis levels for SRW wheat were stronger along the Mississippi River with the Southern Illinois region seeing gains of 10 cents or more in SRW wheat basis.

For HRW Wheat, basis levels were mostly unchanged in the past month. However, slight declines of 0 to 5 cents in HRW wheat basis occurred in Western Kansas and areas in the Pacific Northwest emanating from the export market in Portland, Oregon. Basis levels for HRW wheat were up 10 cents or more in the eastern section of South Dakota.

In the HRS wheat market, basis levels were generally weaker in the Pacific Northwest stretching into Montana. However, HRS wheat basis firmed in Minnesota and the Dakotas.

Comparing year-to-year basis patterns, HRW and SRW wheat basis were higher in January 2003 as compared to January 2002, while HRS wheat basis was mostly unchanged. For the 76 SRW wheat markets with prices in January 2002 and 2003, basis levels were up 16 cents, on average, while HRW wheat basis was up 13 cents for the 167 markets. HRS wheat basis was up only 1 cent a bushel between January 2003 and January 2002 for 72 markets.

SRW wheat basis was mostly stronger with the exception of the Eastern seaboard stretching from North Carolina to the Eastern Shore of Maryland, where basis levels in January 2003 were in some cases 5 to 15 cents weaker. For HRW wheat, basis levels were firmer except in the Western regions of the country where basis levels were mostly

unchanged. Likewise, HRS wheat basis in the Pacific Northwest were mostly lower, especially in Montana.

Barley Basis

Feed barley, produced primarily in the Northern Plains and Pacific Northwest tends to move westward along rail lines for export or for dairy feed in Western states. As a result, barley basis levels increase as one moves Westward from Minnesota to Washington.

On average, for the 46 barley markets reporting prices in December 2002 and January 2003, there was no change in the average barley basis over this one-month period. However, basis levels tended to be firmer in Eastern Montana, parts of North Dakota, and Minnesota. Barley basis levels from the export market at Portland, Oregon were 2 cents lower between December 2002 and January 2003.

Insufficient data exists for barley to make a year-to-year comparison.

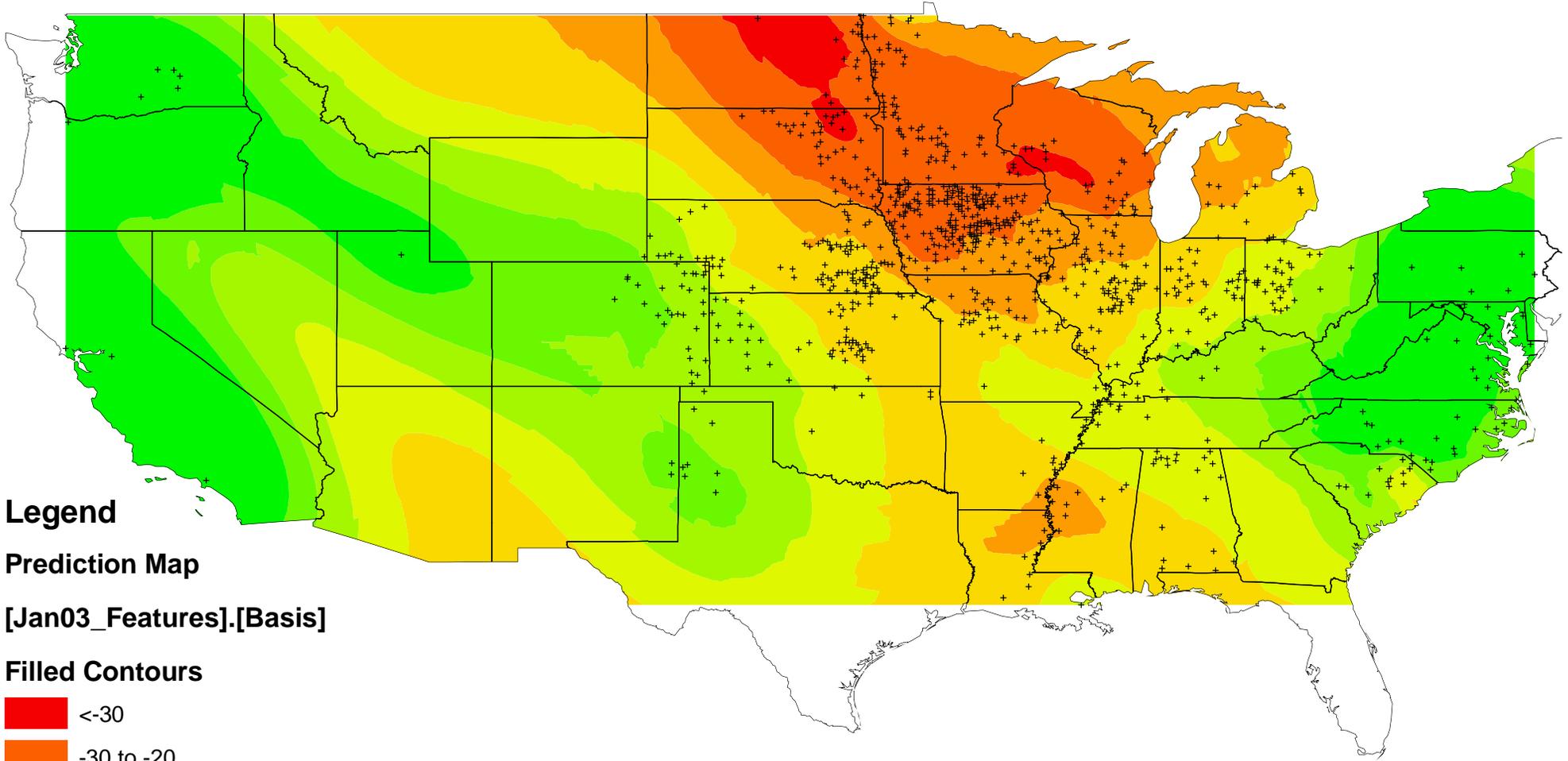
Sorghum Basis

Sorghum production occurs primarily in the Southern Plains and parts of the Southeast. As a feed grain, sorghum is used for cattle feeding in the Plains as well as poultry or hog feeding in the Southern states. Exports move primarily through the Texas and Louisiana gulf ports.

Between December 2002 and January 2003, sorghum basis levels generally declined throughout the region. On average across the 144 sorghum markets, basis levels fell 2 cents a bushel over this one-month period. However, export markets were off further as the Texas Gulf posted a 4-cent loss in basis while the Louisiana Gulf was 6 cents weaker.

However, the annual change in sorghum basis is exceptionally strong. Basis levels in January 2003 were up 22 cents a bushel for the 65 sorghum markets reporting prices during these two time periods. Northern Kansas and Southern Nebraska posted the strongest gains, as sorghum basis in this region were 25 to 30 cents higher.

Corn Basis January 2003



Legend

Prediction Map

[Jan03_Features].[Basis]

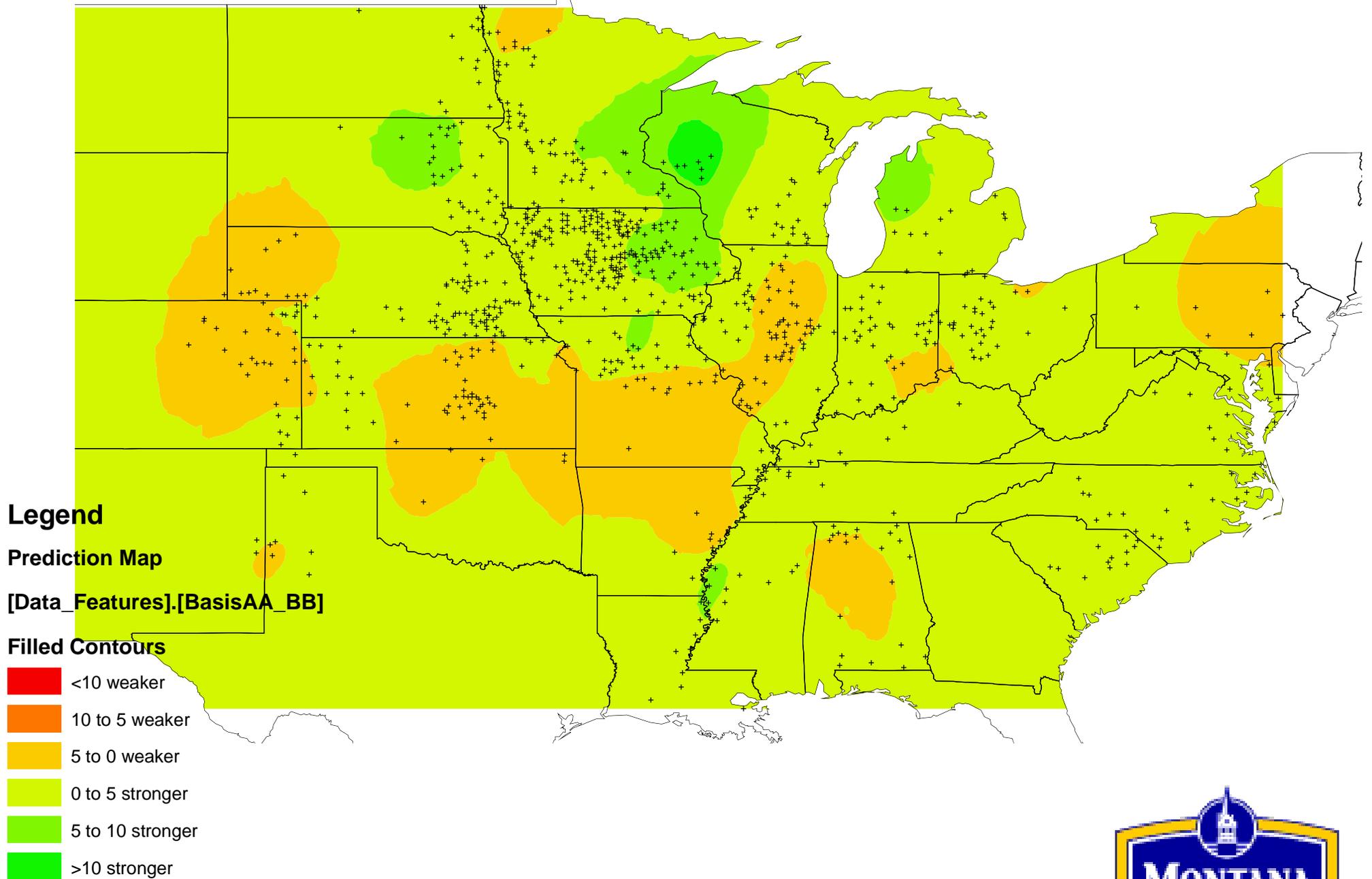
Filled Contours

-  <-30
-  -30 to -20
-  -20 to -10
-  -10 to 0
-  0 to +10
-  +10 to +20
-  +20 to +30
-  >+30

A kriging geostatistical model was used for estimation based on 913 corn markets.
The simple average of all locations is -8 cents



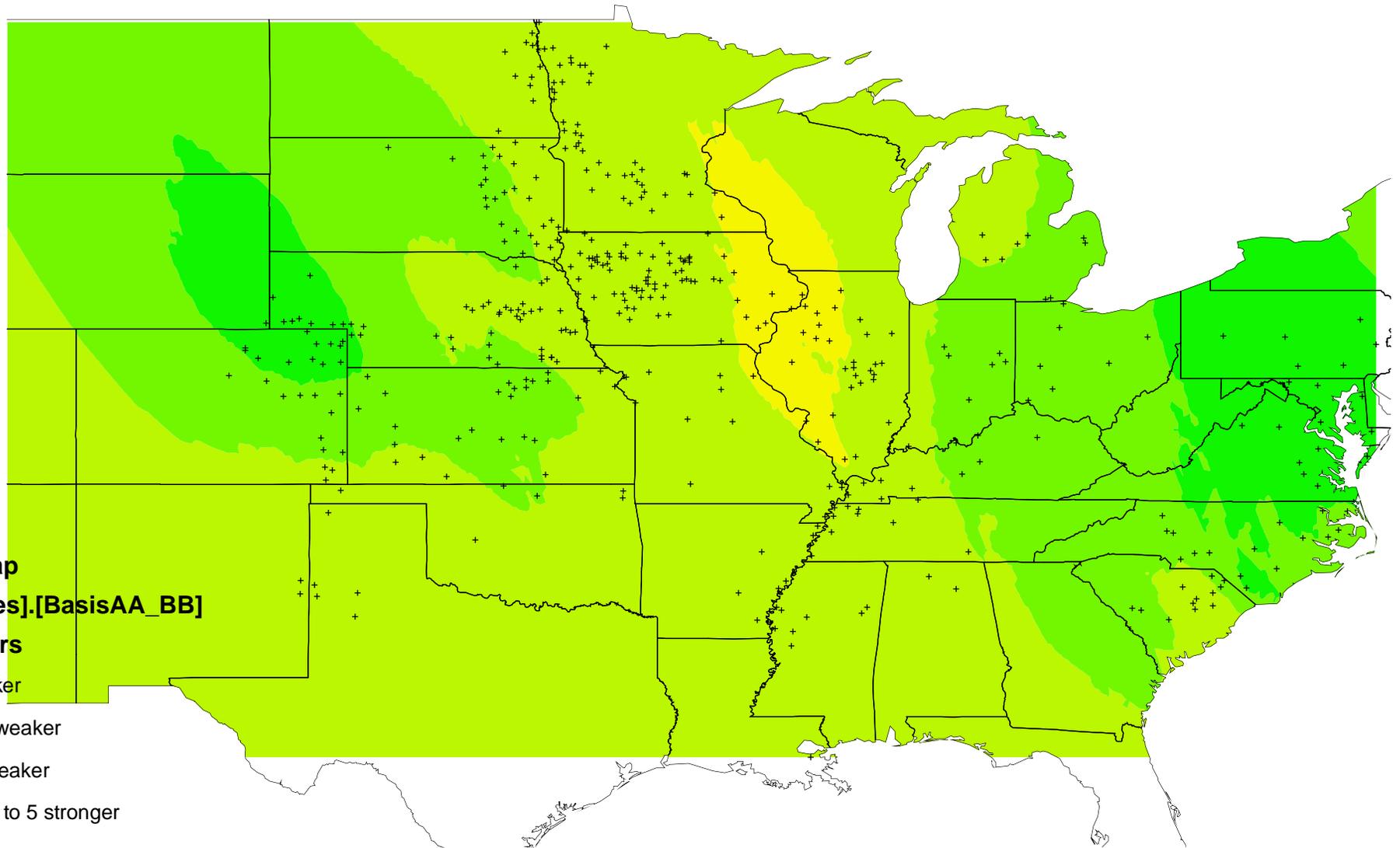
Change in Corn Basis: Jan 2003 - Dec 2002



A kriging geostatistical model was used for estimation based on 877 corn markets.
The simple average of all locations is 2 cents stronger



Change in Corn Basis: Jan 2003 - Jan 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

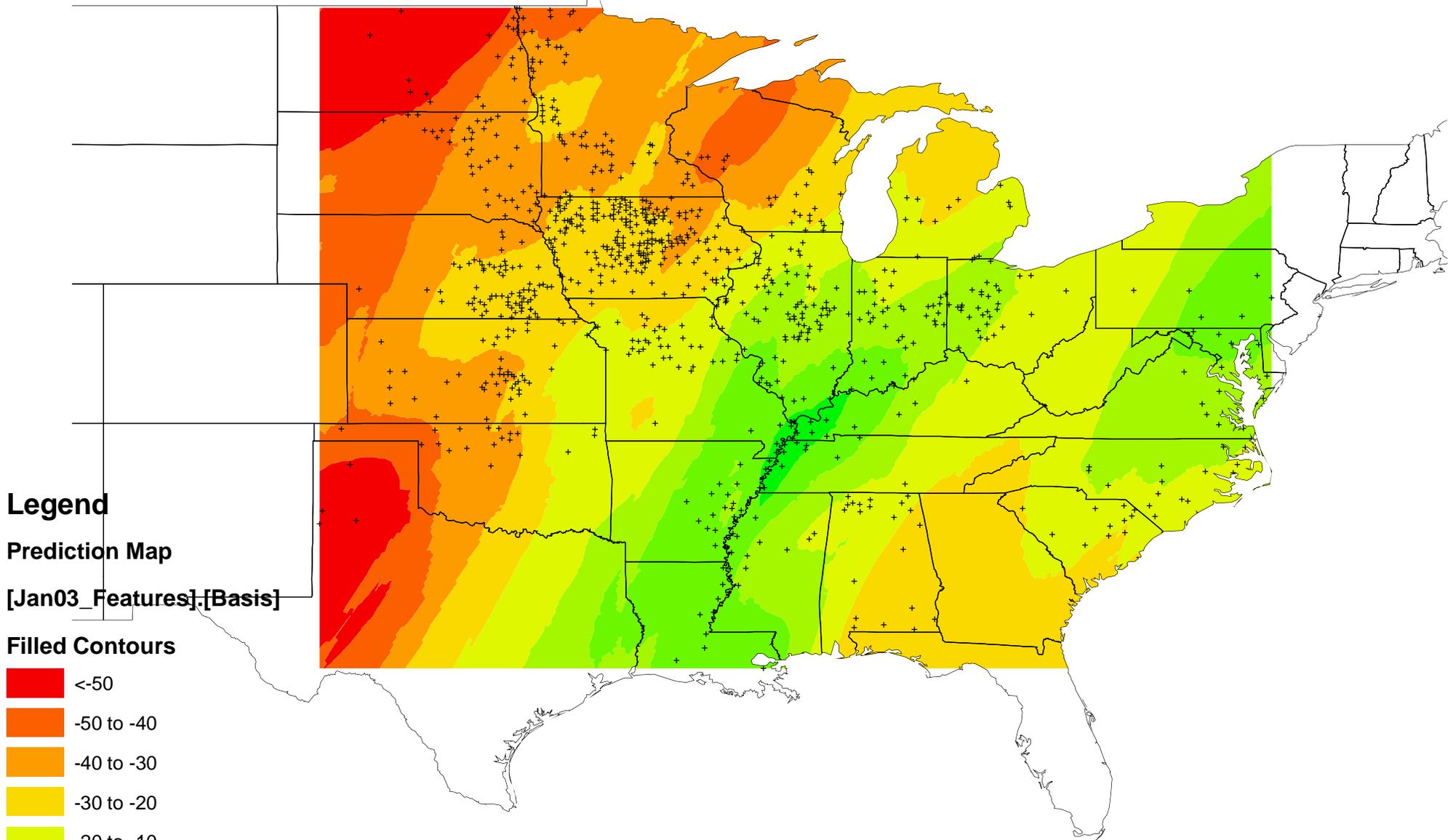
Filled Contours

-  <25 weaker
-  25 to 15 weaker
-  15 to 5 weaker
-  5 weaker to 5 stronger
-  5 to 15 stronger
-  15 to 25 stronger
-  >25 stronger

A kriging geostatistical model was used for estimation based on 430 corn markets.
The simple average of all locations is 14 cents stronger

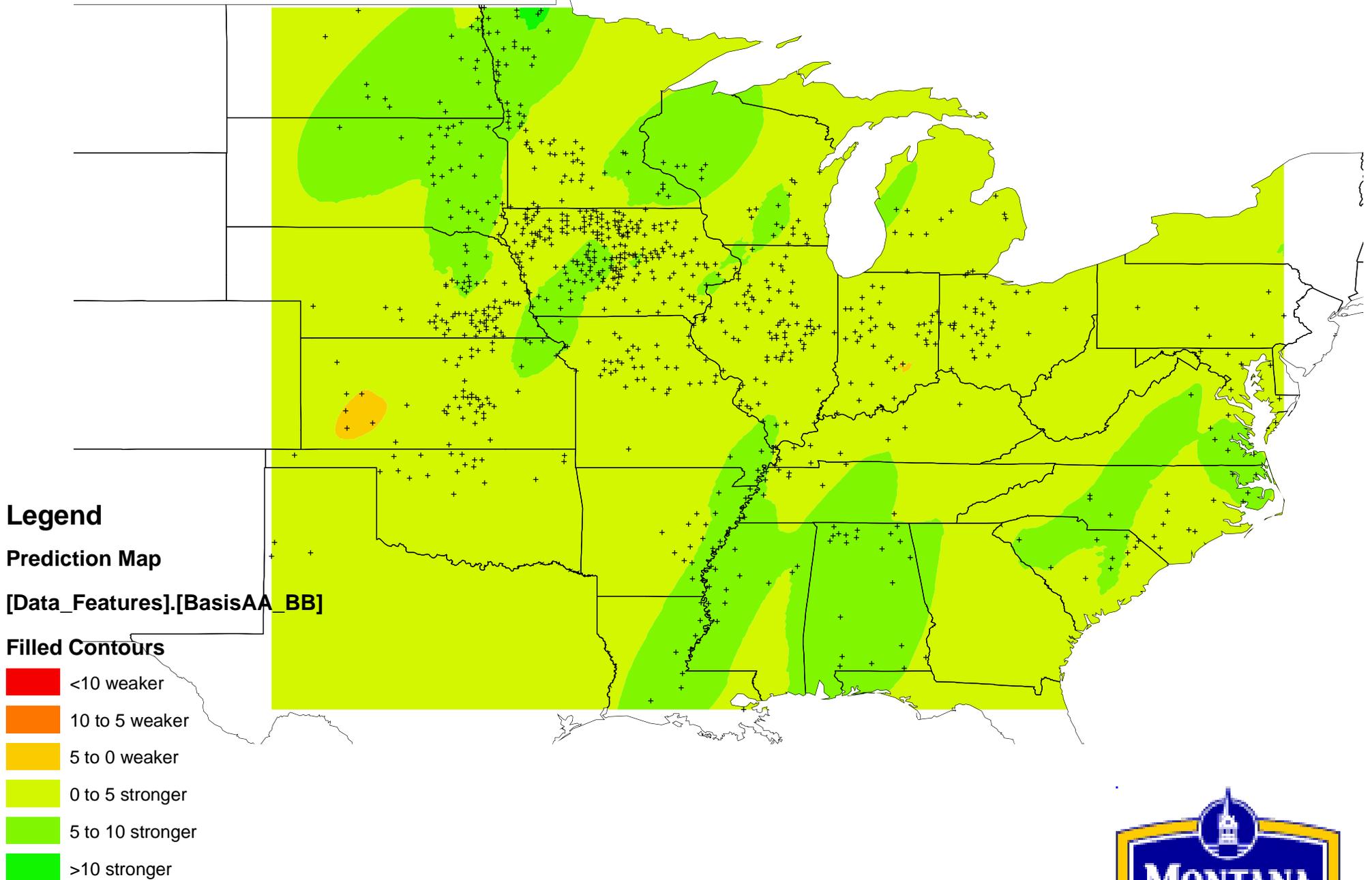


Soybean Basis January 2003



A kriging geostatistical model was used for estimation based on 864 soybean markets. The simple average of all locations is -21 cents

Change in Soybean Basis: Jan 2003 - Dec 2002



A kriging geostatistical model was used for estimation based on 833 soybean markets.
The simple average of all locations is 4 cents stronger



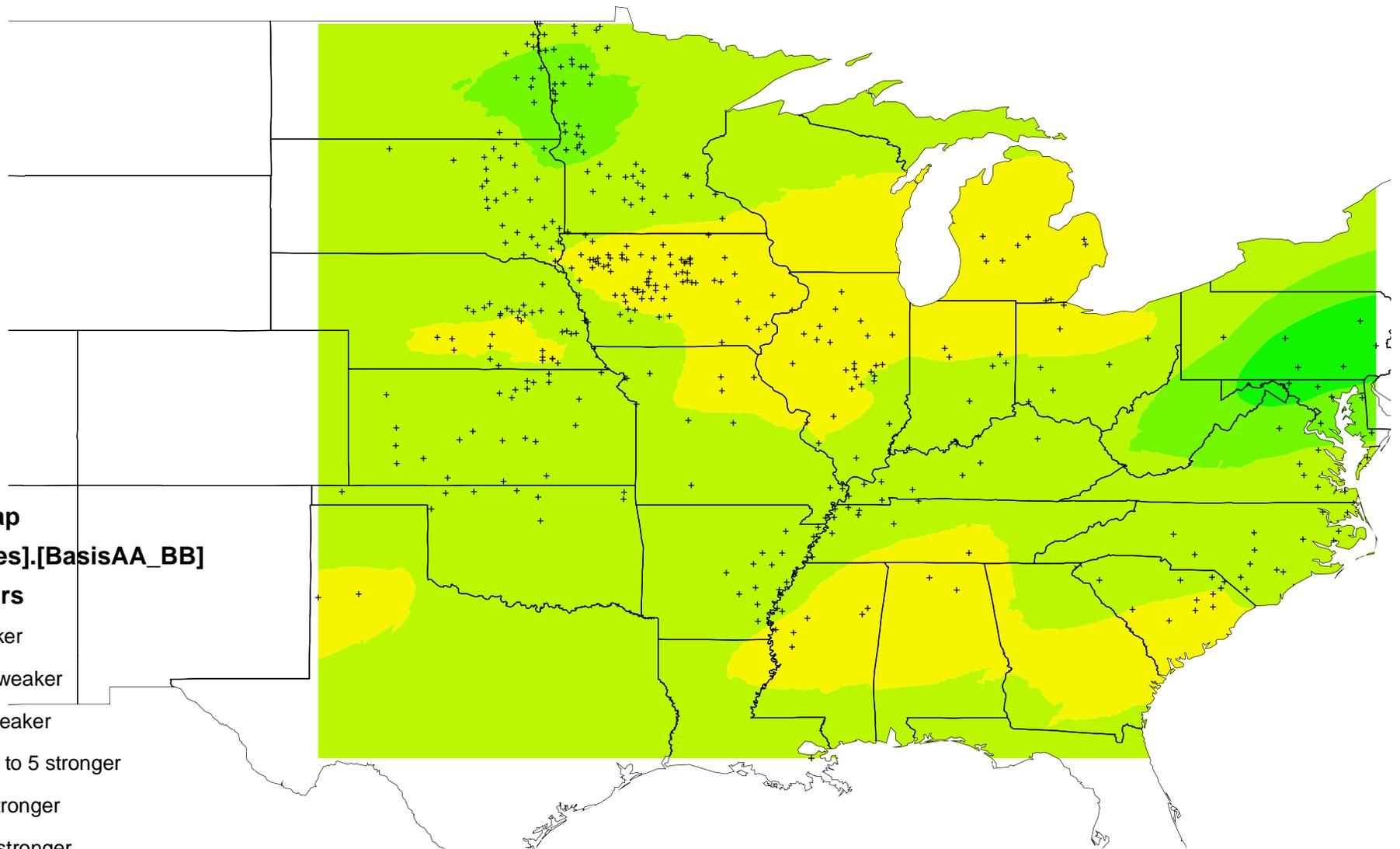
Change in Soybean Basis: Jan 2003 - Jan 2002

Legend

Prediction Map

[Data_Features].[BasisAA_BB]

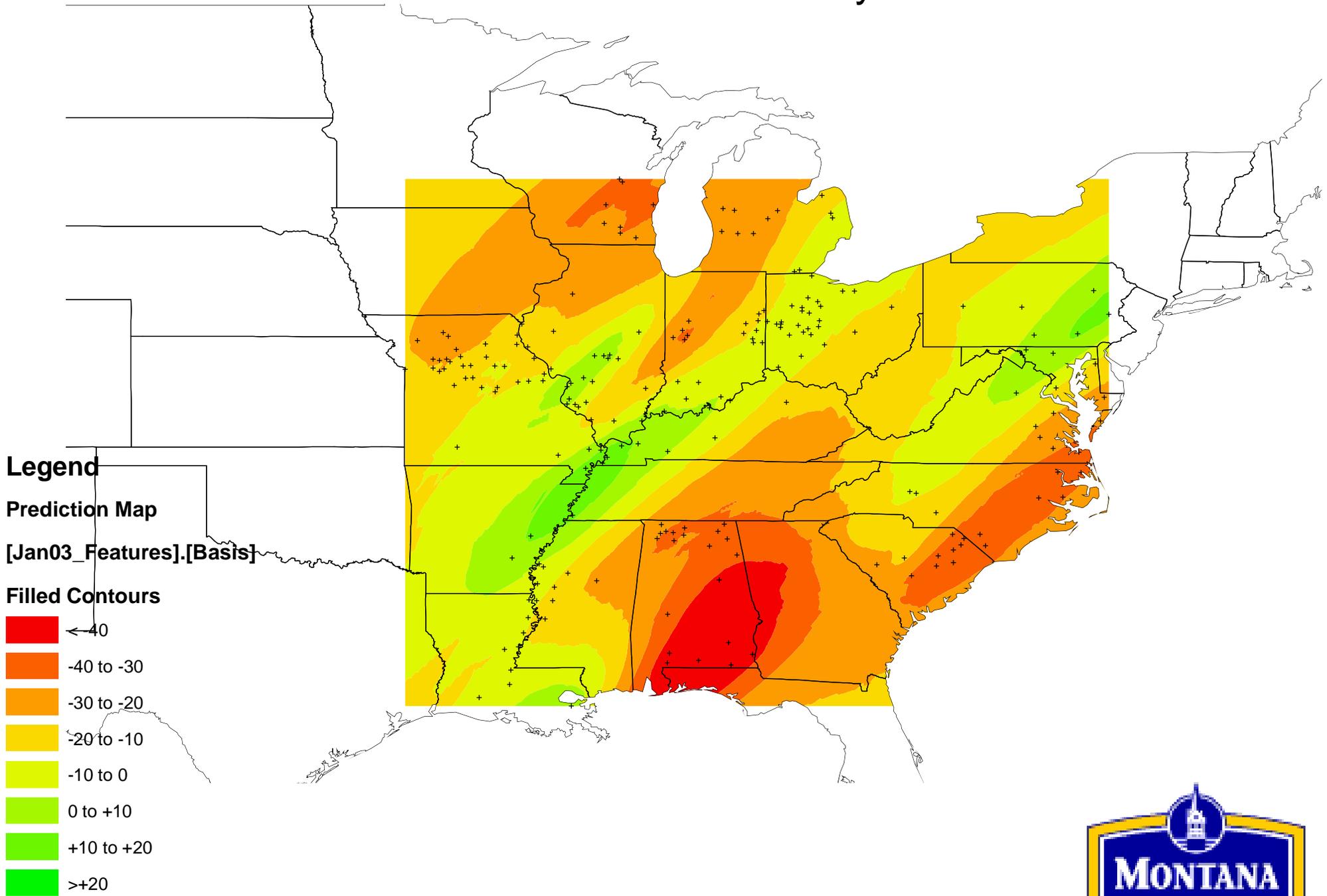
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A kriging geostatistical model was used for estimation based on 387 soybean markets.
The simple average of all locations is 8 cents stronger



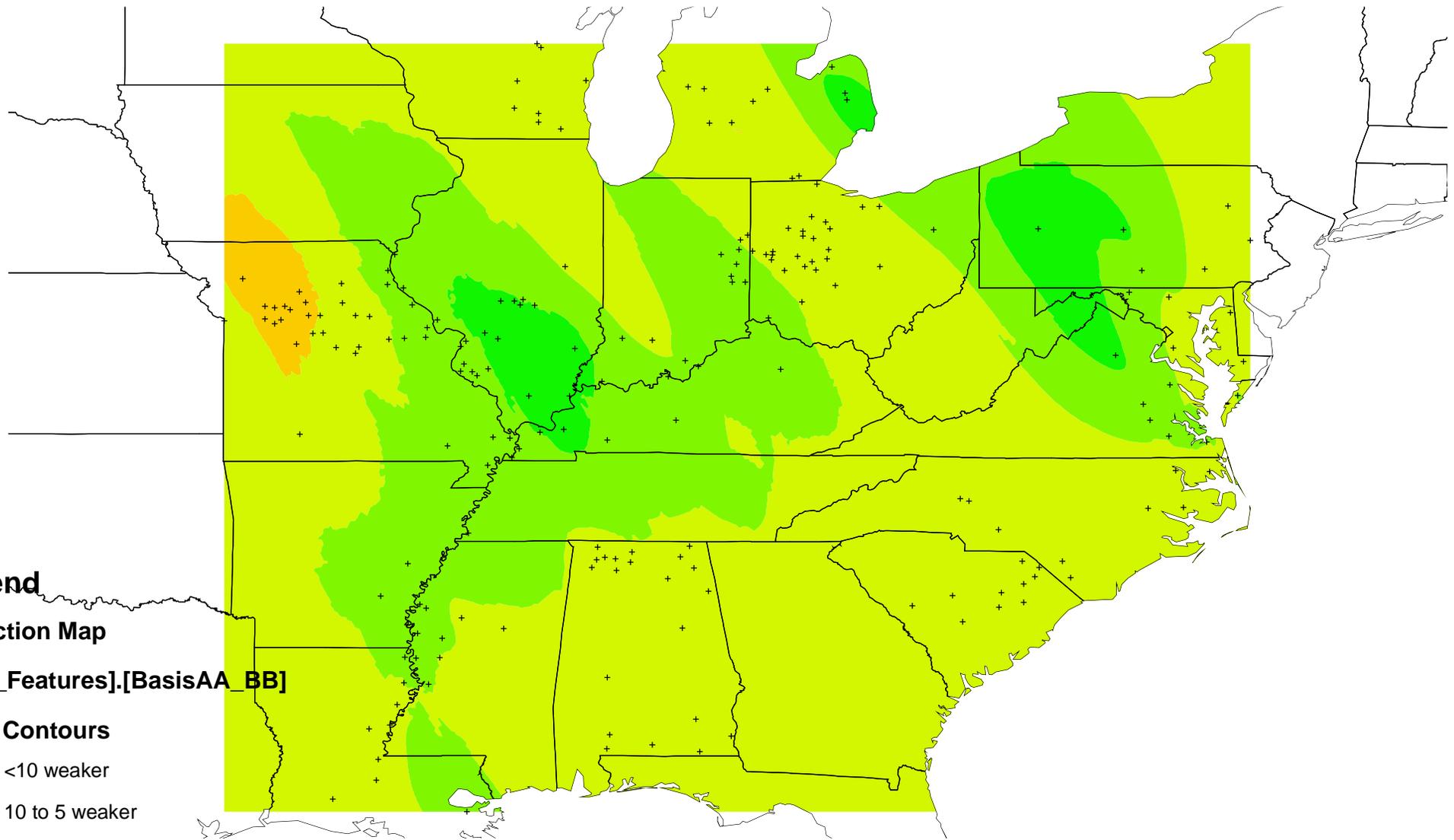
SRW Wheat Basis January 2003



A kriging geostatistical model was used for estimation based on 214 SRW wheat markets. The simple average of all locations is -14 cents



Change in SRW Wheat Basis: Jan 2003 - Dec 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

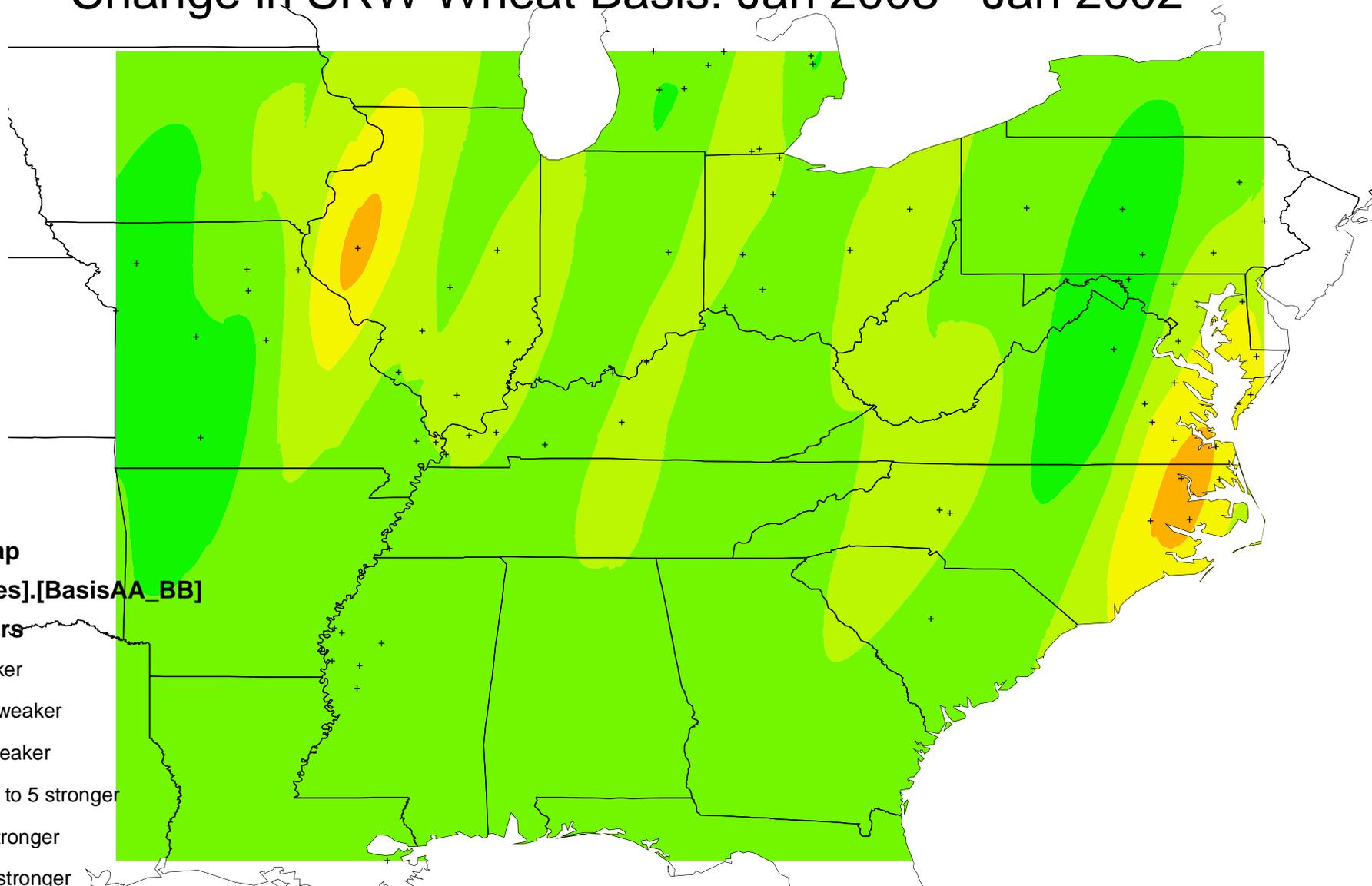
Filled Contours

- <10 weaker
- 10 to 5 weaker
- 5 to 0 weaker
- 0 to 5 stronger
- 5 to 10 stronger
- >10 stronger

A kriging geostatistical model was used for estimation based on 202 SRW wheat markets. The simple average of all locations is 4 cents stronger



Change in SRW Wheat Basis: Jan 2003 - Jan 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

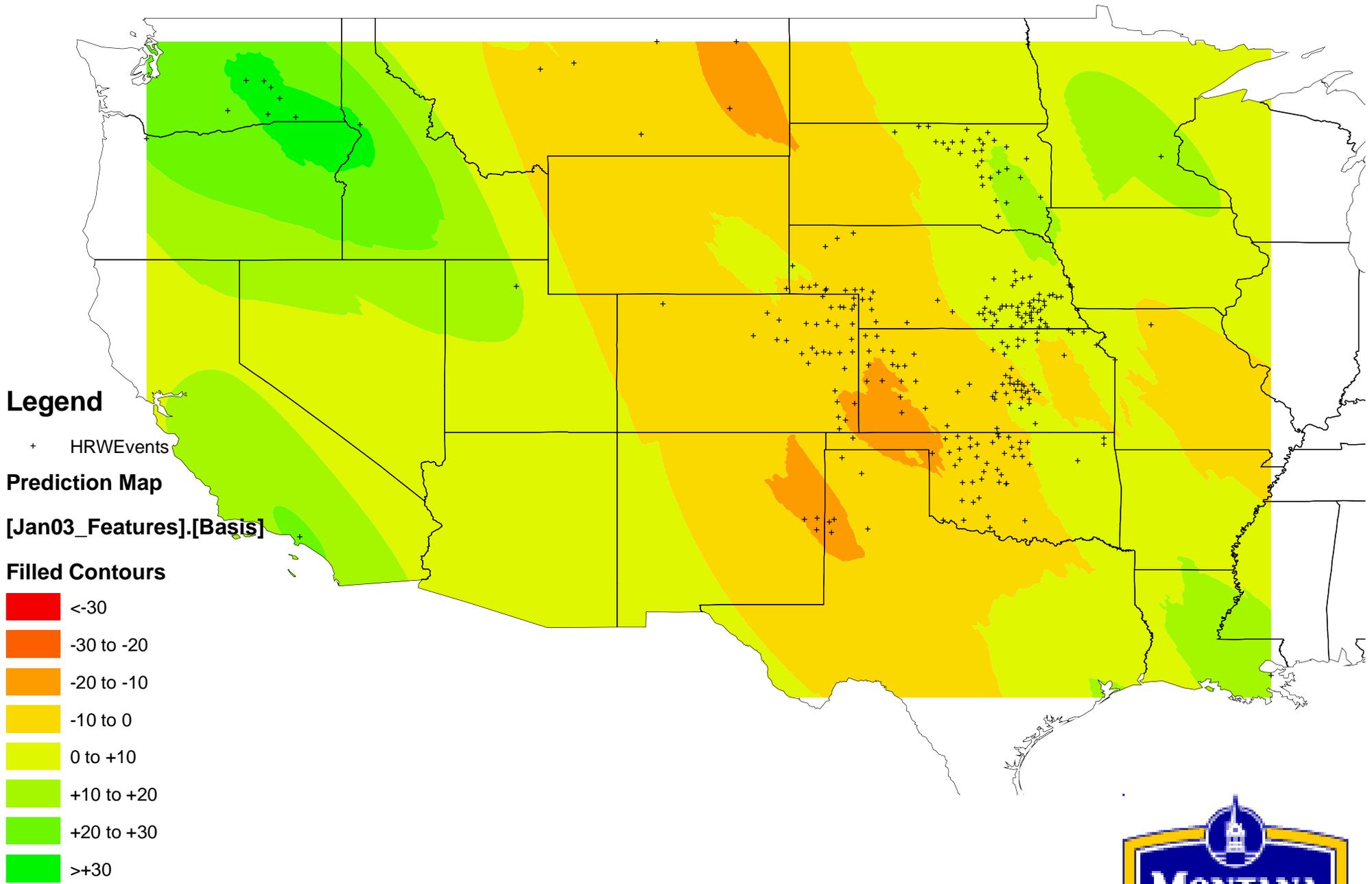
Filled Contours

- <25 weaker
- 25 to 15 weaker
- 15 to 5 weaker
- 5 weaker to 5 stronger
- 5 to 15 stronger
- 15 to 25 stronger
- >25 stronger

A kriging geostatistical model was used for estimation based on 76 SRW wheat markets. The simple average of all locations is 16 cents stronger

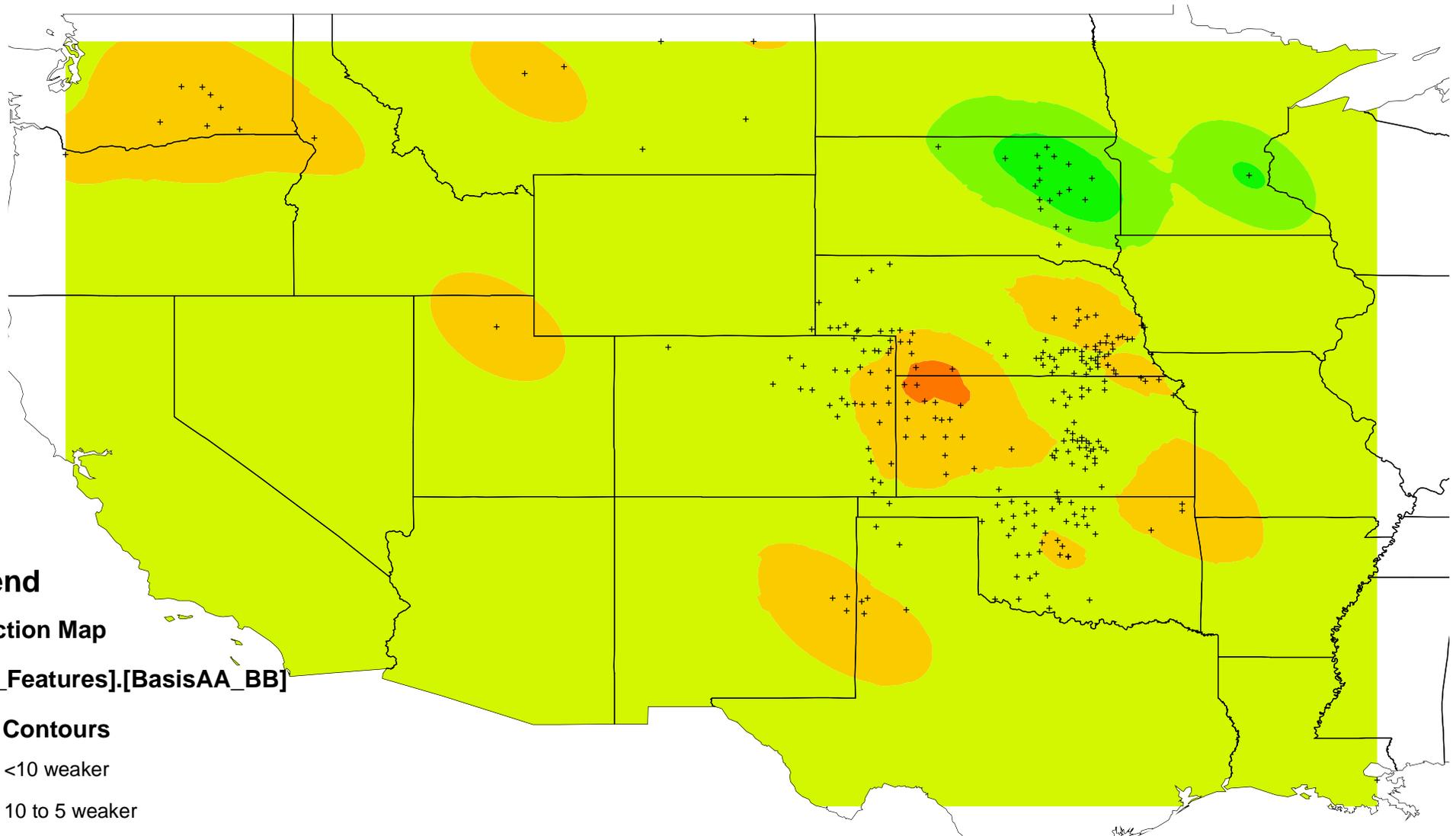


HRW Wheat Basis January 2003



A kriging geostatistical model was used for estimation based on 275 HRW wheat markets. The simple average of all locations is +1 cent

Change in HRW Wheat Basis: Jan 2003 - Dec 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

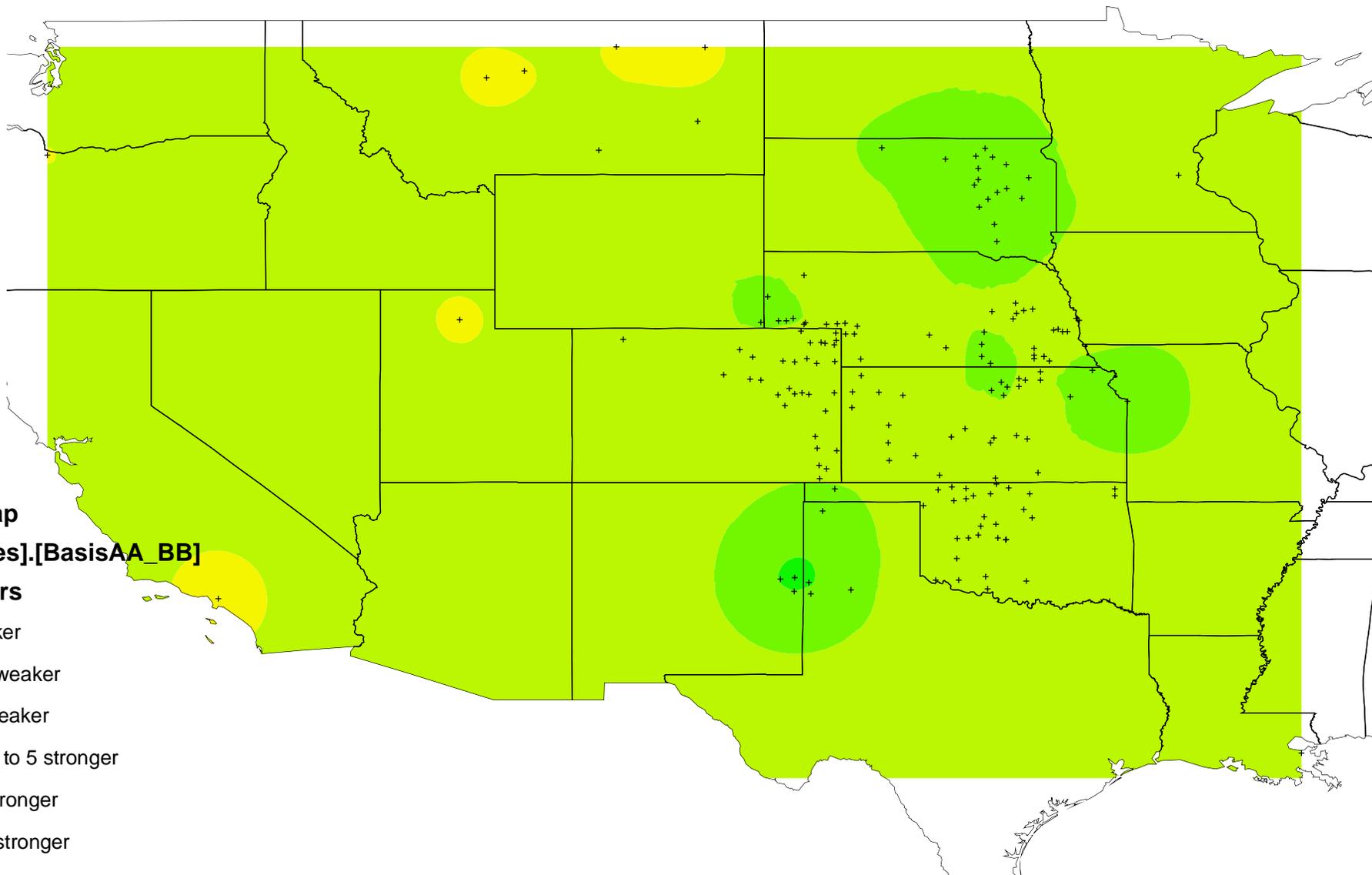
Filled Contours

-  <10 weaker
-  10 to 5 weaker
-  5 to 0 weaker
-  0 to 5 stronger
-  5 to 10 stronger
-  >10 stronger



A kriging geostatistical model was used for estimation based on 259 HRW wheat markets.
The simple average of all locations is 1 cent stronger

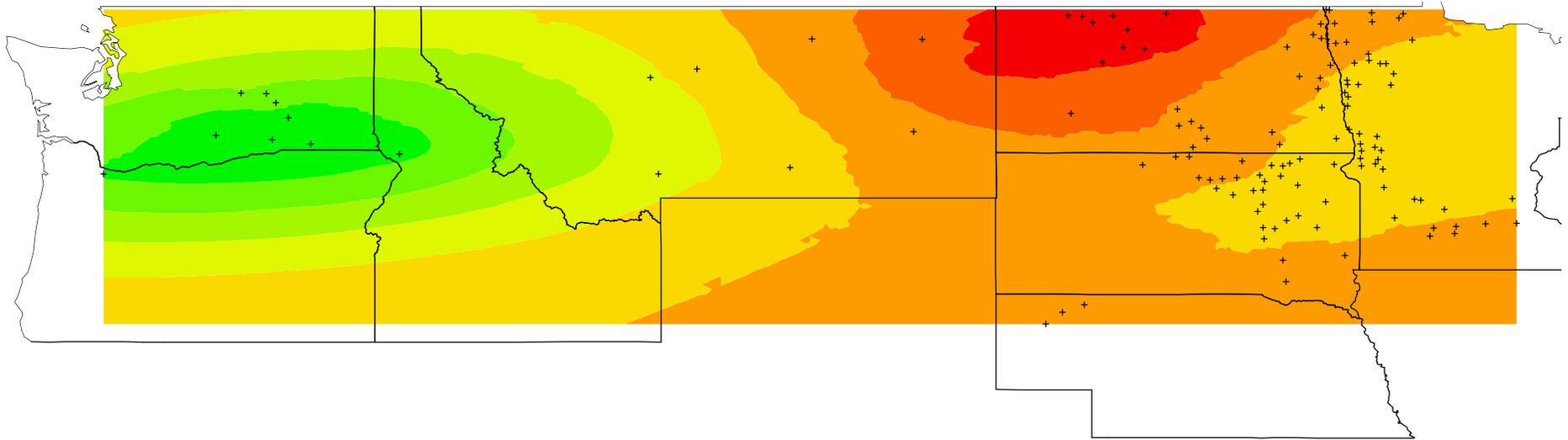
Change in HRW Wheat Basis: Jan 2003 - Jan 2002



A kriging geostatistical model was used for estimation based on 167 HRW wheat markets.
The simple average of all locations is 13 cents stronger



HRS Wheat Basis January 2003



Legend

Prediction Map

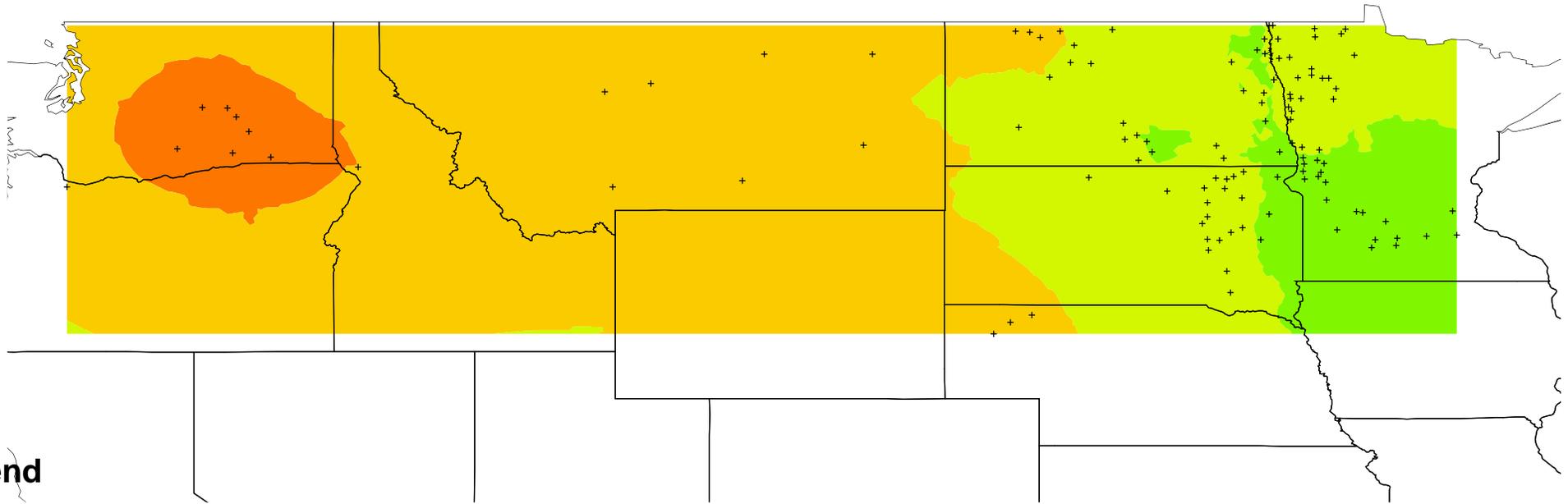
[Jan03_Features].[Basis]

Filled Contours



A kriging geostatistical model was used for estimation based on 127 HRS wheat markets. The simple average of all locations is -9 cents

Change in HRS Wheat Basis: Jan 2003 - Dec 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

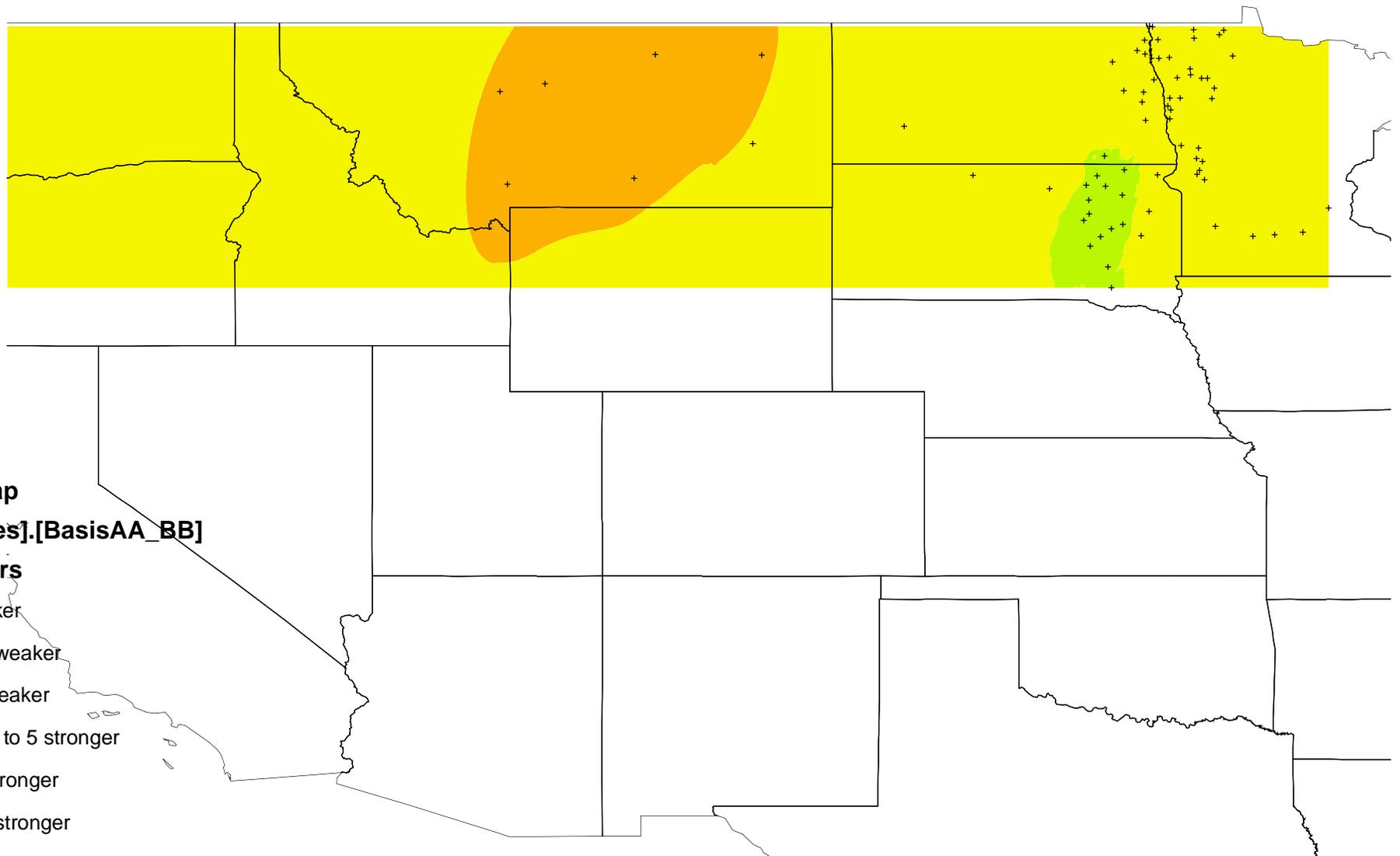
Filled Contours

-  <10 weaker
-  10 to 5 weaker
-  5 to 0 weaker
-  0 to 5 stronger
-  5 to 10 stronger
-  >10 stronger

A kriging geostatistical model was used for estimation based on 116 HRS wheat markets. The simple average of all locations is 3 cents stronger



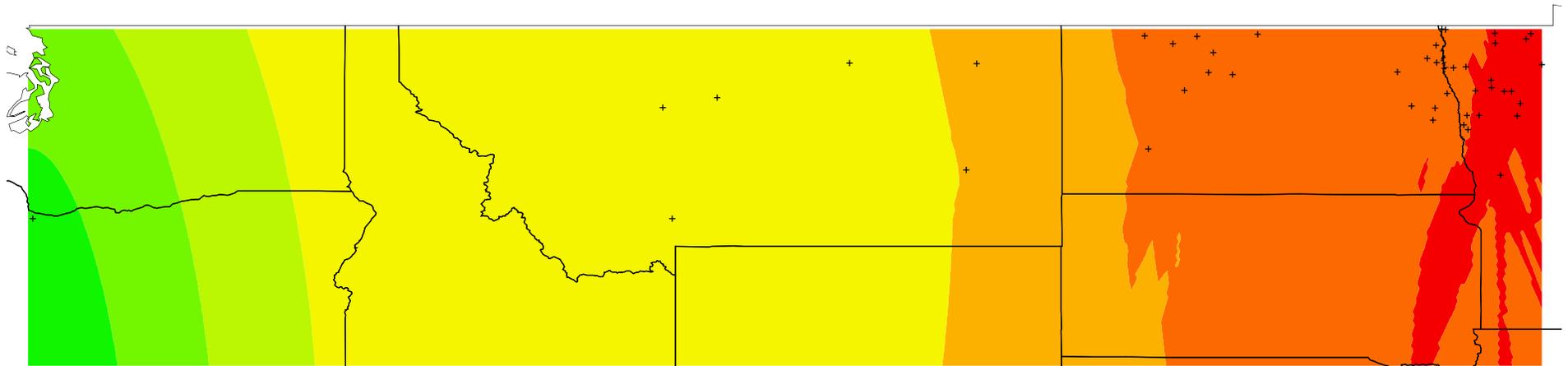
Change in HRS Wheat Basis: Jan 2003 - Jan 2002



A kriging geostatistical model was used for estimation based on 72 HRS wheat markets.
The simple average of all locations is 1 cent stronger



Barley Basis January 2003



Legend

Prediction Map

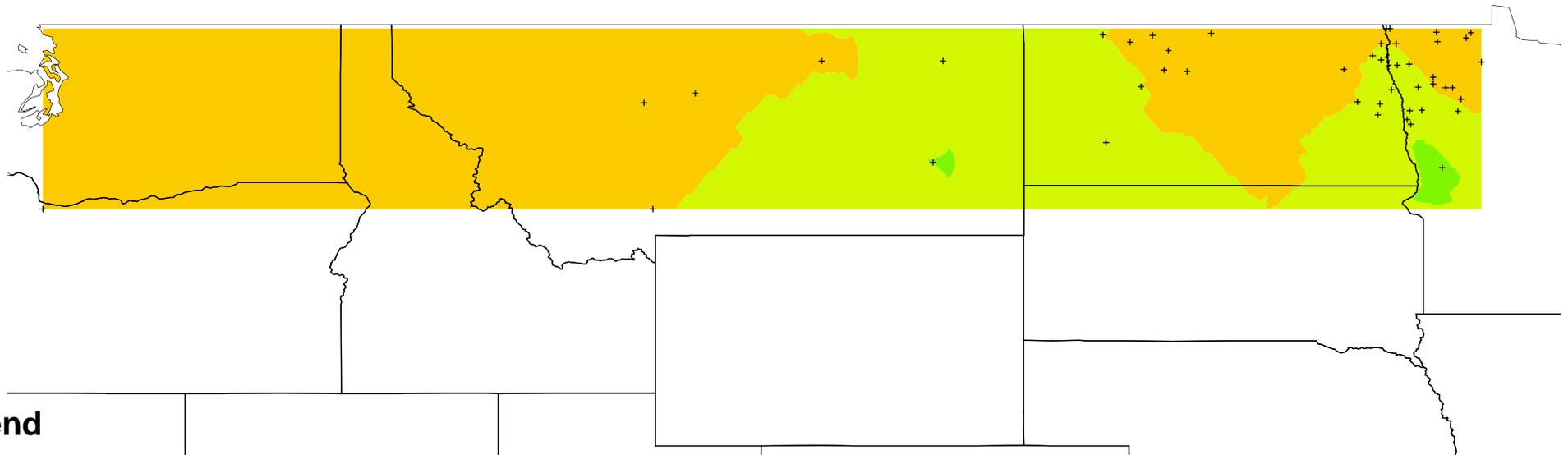
[Jan03_Features].[Basis]

Filled Contours



A kriging geostatistical model was used for estimation based on 46 barley markets.
The simple average of all locations is -34 cents

Change in Barley Basis: Jan 2003 - Dec 2002



Legend

Prediction Map

[Data_Features].[BasisAA_BB]

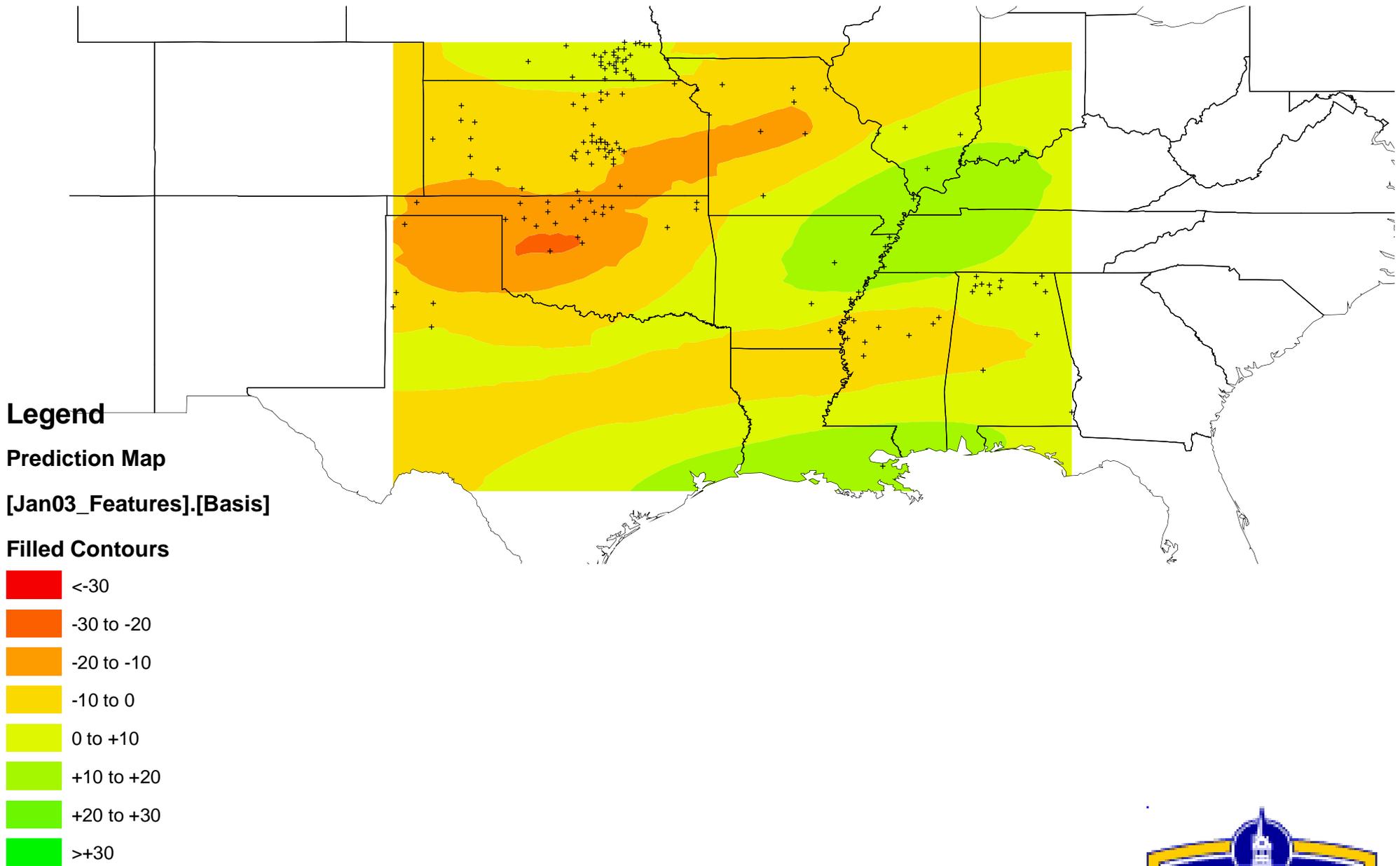
Filled Contours

-  <10 weaker
-  10 to 5 weaker
-  5 to 0 weaker
-  0 to 5 stronger
-  5 to 10 stronger
-  >10 stronger

A kriging geostatistical model was used for estimation based on 46 barley markets. The simple average of all locations was no change in basis

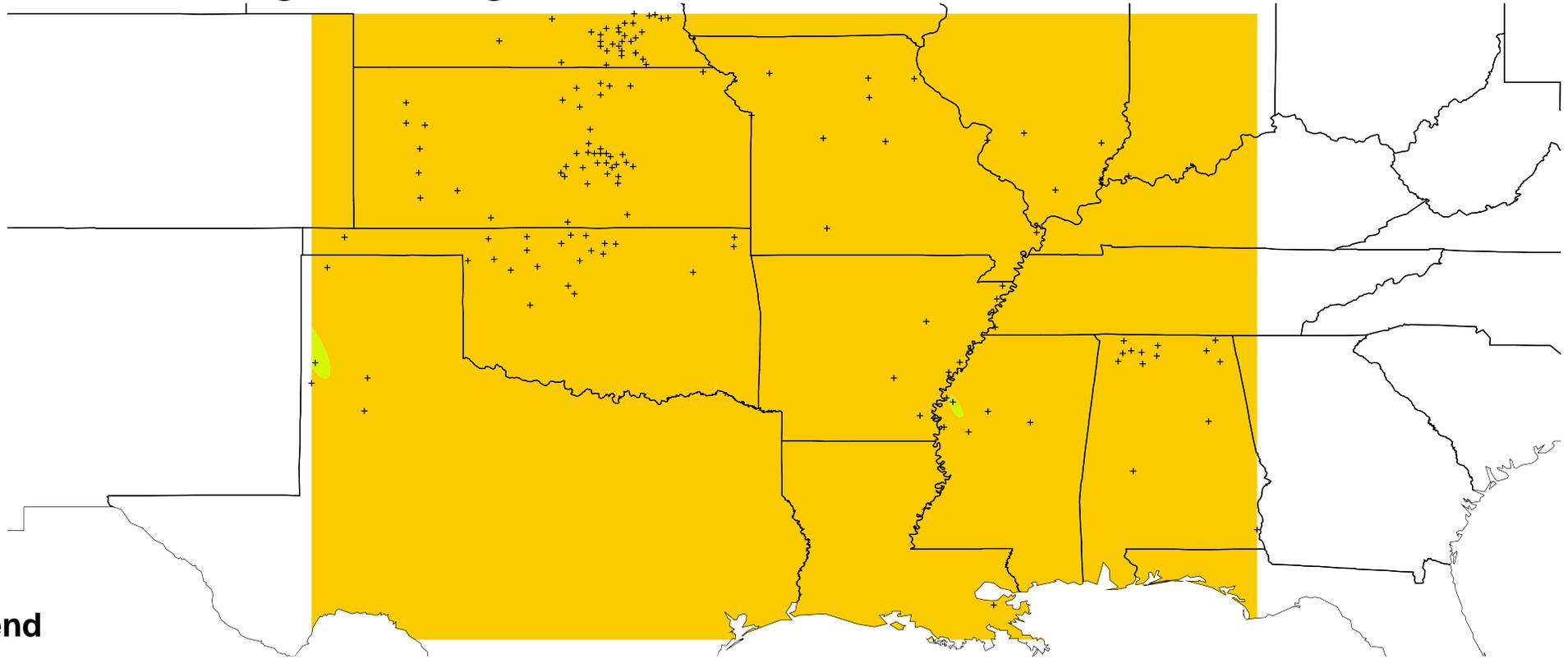


Sorghum Basis January 2003



A kriging geostatistical model was used for estimation based on 148 sorghum markets.
The simple average of all locations is -2 cents

Change in Sorghum Basis: Jan 2003 - Dec 2002

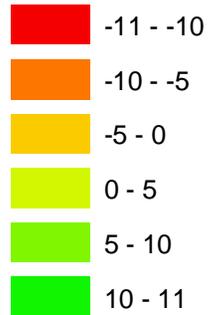


Legend

Prediction Map

[Data_Features].[BasisAA_BB]

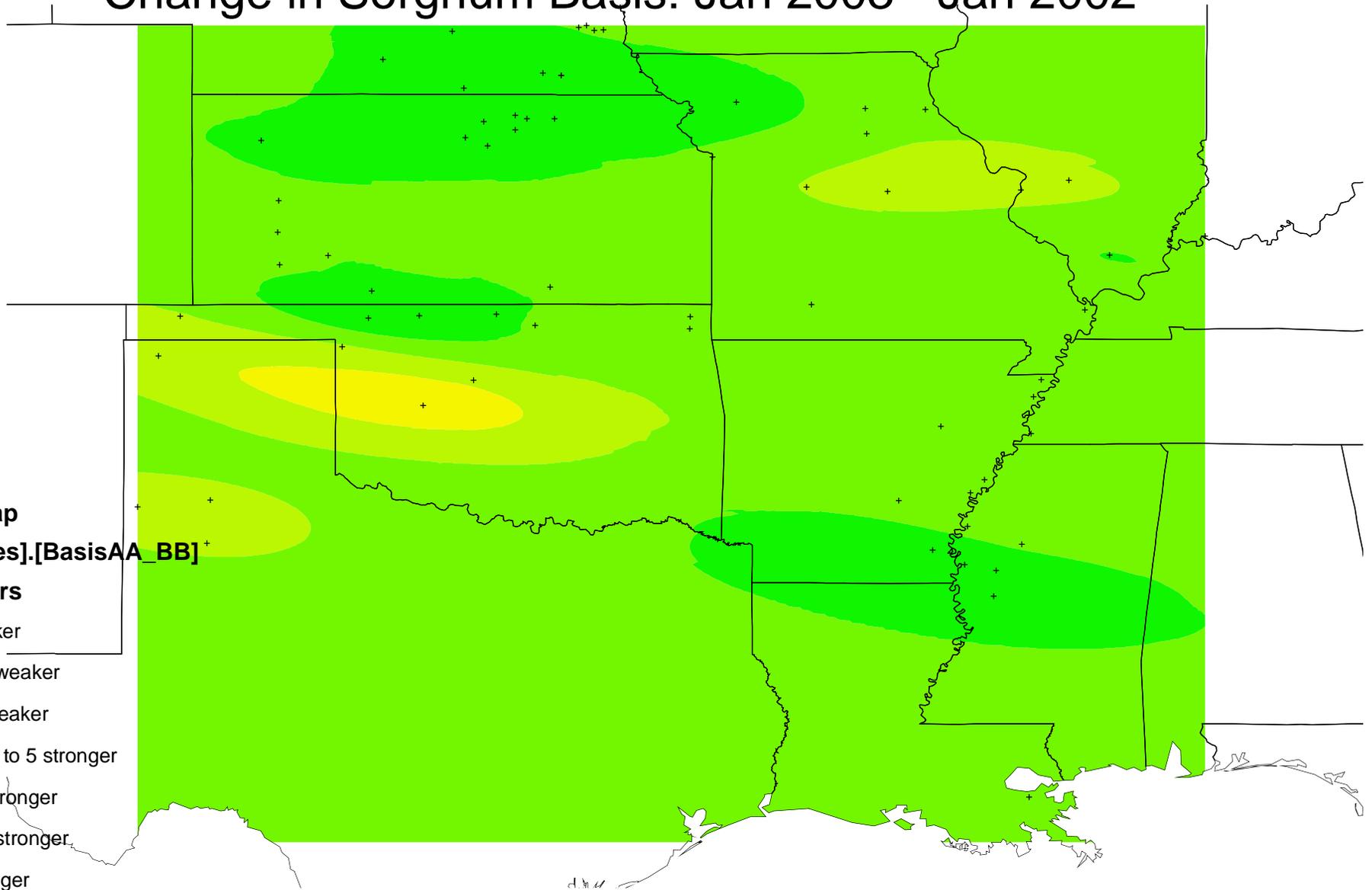
Filled Contours



A kriging geostatistical model was used for estimation based on 144 sorghum markets.
The simple average of all locations was 2 cents weaker



Change in Sorghum Basis: Jan 2003 - Jan 2002



A kriging geostatistical model was used for estimation based on 65 sorghum markets.
The simple average of all locations is 22 cents stronger

