

Using a basis contract to market corn, continued from page 4

Discuss risks and rewards with your merchandiser 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. Advantages of the basis contract may include elimination of storage costs, removing basis risk and minimizing 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, attractive 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 using basis contracts and sell stored bushels incrementally. 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 selling 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 winter 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.



Greetings from CARD!

By Cathy Kling, director, Center for Agricultural and Rural Development, ckling@iastate.edu, 515-294-5767

Center for Agricultural and Rural Development (CARD) researchers and affiliates have a long tradition of developing and applying the tools of economics to create knowledge that supports good agricultural policy. To help us continue that tradition, we have created the Agricultural Policy Review. I am delighted that economics faculty with extension appointments will join CARD faculty and staff in producing a timely, relevant publication that I am confident readers interested in many facets of agricultural policy, including energy, nutrition, food security, international trade and the environment, will find highly valuable.

Our goal for the Agricultural Policy Review is to create a publication that is not only succinct and timely but also two directional—an outreach publication to disseminate information from CARD researchers to readers and, in turn, from readers to us.

Readers familiar with the Iowa Ag Review, CARD's previous outreach publication, will notice that we

have continued the tradition of publishing articles firmly rooted in economic analysis. However, we have dropped the word "Iowa" from the title, as articles in the Agricultural Policy Review will have more national and international relevance. Some articles published will have an Iowa or Midwestern focus, but the fundamental issues addressed will go well beyond geographic boundaries.

Many of the short pieces published in the Agricultural Policy Review will be based on longer, more technical publications that the reader looking for more detail can consult, but each piece is intended to be understood on its own. (No need to pull out your college calculus book!) We hope to take advantage of rapidly changing and improving technology to produce concise visual displays to portray key insights, and we plan to experiment with a few new features. For example, in this issue we have begun our first "Ask an Ag Economist" segment in which we invite readers to submit questions to us. We will periodically choose questions

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of general interest to respond to in future issues, which can be submitted to us through our web site.

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!

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

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Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964.

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