

# Harvest 2018

## Arthur, Ayr, Page, Pillsbury

### From the Arthur Companies Grain Team

2018 is shaping up to be an interesting, if not at times, stressful year. Generally favorable crop conditions point towards a large crop, while market prices provide challenges in moving the crop. Our grain team would like to share some thoughts as we progress towards row crop harvest. We are here to deliver service for you, our loyal customers. Each farm has unique needs during harvest, we can provide individual solutions to help during harvest.

### Soybeans

#### From our side of the desk

You don't have to look further than the cash bid page to know what is happening in soybeans. Futures prices tell one side of the story, but the core of the story is in the cash grain trade. Around mid-June soybean basis bids were pulled from PNW grain shippers. Ample South American crops and the imminent threat of trade tariffs dismantled any chances of soybean business off the PNW. Here we are towards the beginning of September and the story is the same, China is not buying our beans. This is an issue as China is the majority buyer of North Dakota soybeans.

We have little recourse for shipments in the near-term. The gulf-market is a possibility, but there is a "wall" of soybeans to get past if we want to ship down there, and transportation costs are not conducive for favorable sales values (the reason we don't typically ship down there).

So, what are we doing in the near-term to get ready for harvest? Thankfully, Pillsbury was already underway with a current expansion project. We are almost complete with an 850,000-bushel steel bin in Pillsbury, in addition to 2 million bushels of temporary bunker space. Ayr has currently been bagging wheat to make space for soybean harvest. Old crop grain sales were put on the books to empty out the rest of the bins. Our goal is to go into row-crop harvest as "empty" as possible. In lieu of typical soybean sales, corn and wheat sales were made with space in mind. This means our steel space will need to be open for corn shipments this fall. We currently plan to put unshipped beans into bunkers. This is not an ideal solution, we are built to ship quickly, but we see no other solutions.

To start harvest we will be running a price-later program for soybeans. We will be charging 8-cents/month with no minimum charges. This is higher than our typical 5c/month charges. We want to be as fair as possible. With large futures carries, uncertainty of future shipments, a finite amount of bin space, and incurred costs of piling and bunkering beans we believe this to be an equitable storage program for this fall. If/when the marketplace resets we will readjust DP grain programs.

The soybean market situation is far from simple. We want to stress that there isn't necessarily one right answer this year; the most seasoned grain traders are left to grasp at straws. It will require creativity to work through. Please contact any of us to discuss further.

## Corn

Unlike soybeans, the corn outlook is more favorable. Futures values have certainly fallen from summer highs, but corn is a sellable commodity this fall. Exporters are buying up corn in large chunks, and grain elevators are happy to oblige selling corn for fall shipment. This is a switch from typical seasonal patterns, but we will not complain, as selling the high-volume commodity frees up more space. We need to move something, and if we can chunk out corn trains in replacement of soybean trains, so be it.

Overall basis levels have held their own going into a seemingly near-record US corn crop. US corn sold off the PNW is competitively priced for shipment against other exporting countries. If future values stay in the current range, basis values should hold their own, with gut-slot harvest being the exception. If we can maintain good basis values, keep a sharp eye on Jan-Mar. delivery corn values. Locking in seasonably favorable basis levels and taking advantage of any futures rally this winter, could be a good play. With a large crop, and soybean shipments delayed, freight demand/pricing will be the wildcard in the first half of 2019.

We have yet to set a corn price-later program. We will update as soon as we can on that front.

## Wheat

As wheat harvest starts to wind down we are left with a somewhat more defined picture of what the future holds in store. Basis values for wheat have trended down seasonally. Overall, the spring wheat crop was decent. Yields were variable but better than expected in our territory. Protein was higher. We have seen premiums dissipate as wheat mills/buyers have plenty of protein to make high quality flour. Wheat quality was more variable than in years past. We saw incidences of both ergot and vomitoxin. Such is the way of wheat.

Looking forward, we are looking for opportunities on the in the back half of the marketing year for wheat. Most of our wheat goes to domestic mills. As they chew through ample harvest supplies we look for demand to come back in, and hopefully export markets can pick up to help whittle down supplies.

As always, we strive to provide a valuable service to your farm. Whether that be off field trucking or structured futures positions. Please reach out with any questions.

**Sincerely,**

**The Grain Team: Kevin, Hank, Aaron, Joel**

