



FOR IMMEDIATE RELEASE

Historically Large Basis Spread creates Lower Cash Price at Elevator

TOPEKA, June 10, 2010 – With summer heat upon us, Kansas wheat fields are changing color. As harvest starts in the wheat state other states are in full blown harvest and experiencing unusually large basis. Several factors are combining to create the perfect storm making it essential for producers around the state to be prepared for lower basis.

Kim Barnes, CFO of Pawnee County Coop indicated that at this time last year basis at his elevator was around (\$.43), but on June 10 his basis was over twice of last year at (\$1.40). Grain elevators have a lot of exposure out there. Barnes notes that several factors are contributing to this lower basis including: higher carryover and inventories of the 2009 crop, low protein for this year's crop, and a lack of global demand for our product.

Kansas Grain and Feed Association Chairman and elevator owner/operator in Ness City, Gary Gantz, shared his thoughts on the current market climate. Gantz commented that Texas and Oklahoma are having the first good crop in the last few years. Also, he is normally able to sell grain to local millers in Kansas, but with the current crop's lower protein content millers are looking for other sources. Gantz advised other elevators to be careful and set their basis appropriately. "Elevators could potentially be in a losing situation if they are not careful in their marketing," said Gantz.

The futures markets are not in line with cash for several reasons. An industry expert shared how the price to ship via rail from the interior to the gulf was around \$.50 per bushel ten years ago, and now is in the \$.90 cent per bushel range. This is a contributing factor to our lower basis in the interior. The same industry expert referred to the glut of wheat on the global market. "Our wheat is simply overpriced," said this trading expert and, "there is a disconnect between the futures and cash prices."

Justin Gilpin, Chief Executive Officer of Kansas Wheat, encourages producers to have a strong line of communication with their local elevators and an awareness of available marketing options. "It is critical for producers to have a great rapport with their elevators year long. That way they can work through whatever market conditions might arise." Gregg Sexton, a long-time wheat producer in Chapman, Kansas had the majority of his grain marketed prior to harvest this year. He recommends all producers have a marketing plan to ensure a secured profit margin prior to harvest. Forward contracting is a critical tool to farming in today's market conditions. "My relationship with the local elevators is a key component to the success of our family farm," said Sexton.

The markets are designed to bring supply and demand together for a transaction and price evaluation of commodities. In looking at our current situation the industry expert interviewed had this to say, "The market ultimately works, sometimes it just takes time."

Founded in 1896, the Topeka-based Kansas Grain and Feed Association is a voluntary non-profit, trade organization providing governmental representation, educational opportunities and a wide variety of other services to the vast and indispensable grain and feed marketing system. KGFA's 900 plus members include country elevators, subterminal and terminal elevators, feed manufacturers, flour mills, grain merchandisers and allied industries such as grain exchanges, equipment manufacturers, insurance firms and railroads. KGFA is proud to represent 99% of the federal or state licensed grain storage in the state of Kansas.

In addition, KGFA also manages the Kansas Agribusiness Retailers Association, the Kansas Association of Ethanol Processors, and provides association management and lobbying services to a number of other clients.

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