

News Release for Immediate Release

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Local Corn Basis has Improved With Additional Ethanol Production

Farmers in southern Minnesota in recent years have seen an improvement in local basis levels as a result of demand created from increased ethanol production. In fact, USDA has estimated that ethanol production has added 30 cents/bushel to the value of U.S. corn. While many factors affect basis including supply and demand factors outside of increased ethanol production, ethanol production has certainly been a big component of improved basis, says Paul Carr, Regional Extension Educator with the University of MN Extension Service. The increased demand ethanol production has brought has increased competition for corn from other markets such as domestic livestock feeders or export markets. This ultimately has increased local prices (or kept them from falling further).

The table below shows harvest basis levels for the past seven years in Blue Earth, MN. Basis levels at harvest from 1997 – 2001 averaged 51 cents under Chicago December futures. 2002 and 2003 harvest delivery basis average 35 cents under December futures, or 16 cents better than the 1997 – 2001 average when less ethanol was produced in the area.

Ethanol production consumed over 800 million bushels of corn in the United States in the year 2002 according to a study by the National Corn Growers Association. The ethanol industry is the third largest user of U.S. corn, says Carr. When anticipated processing by currently expanding plants and new plants under construction is taken into consideration, the ethanol industry will use 10% or more of the total U.S. corn crop.

Corn Harvest Basis Levels at Blue Earth, MN – 1997 – 2001

Corn under the Dec. Contract, Soybeans under the Nov. Contract

Year	Corn Basis at Harvest
1997	-.41 to -.46
1998	-.52 to -.54
1999	-.57 to -.64
2000	-.50 to -.55
2001	-.44 to -.48
2002	-.26 to -.34
2003*	-.39

*2003 Prices are New Crop Prices as of 9/11.