



Indiana

Basis Education and Tools for Grain Producers

Increased price volatility, lower crop prices, and tight operating margins have increased the need for better risk management skills. The relationship between local cash and futures market prices, or basis, is not completely understood by many producers. Few have access to historical basis data for their region or even know how to forecast basis. Developed by the Purdue Center for Commercial Agriculture, this basis tool project provided producers in the eastern Corn Belt the access to data in order to create more accurate expectations of local cash prices, more profitable storage opportunities, and identify profitable marketing alternatives beyond the traditional market outlets. This project featured traditional face-to-face workshops, a YouTube video and the design of a Crop Basis Tool website, <https://ag.purdue.edu/cropbudget/multi>. More than 800 producers were reached with thousands more estimated to continue to use the website.

Project Director Nathan Thompson described the average participant as one that was struggling to grasp the concept of forecasting basis using historical averages. As a result, the team's approach shifted to more of an introduction-level or foundational approach to marketing. According to Thompson, "we consistently found that about 85% of producers in the eastern Corn Belt did not have access to historical basis data for their local market area." Because of the fundamental role of basis in developing a marketing plan and evaluating marketing opportunities, the project team changed their educational course. The on-line Crop Basis Tool became the foundation for better marketing risk management in this project, reaching an estimated 2500 producers to date.

As a result, 245 producers identified and developed at least one new potential marketing opportunity that they didn't previously have access to. According to Thompson, the on-line tool presents unlimited opportunities for improving marketing risk management relating to spot pricing, forward contracting, hedging with futures, options and other tools.

Thompson stated that with the use of the Crop Basis Tool they will continue to enhance this project in the future with in-depth education to incorporate basis information into developing marketing plans.



"This was a great crash course for me on basis and helped refresh the subject for me."

– Producer





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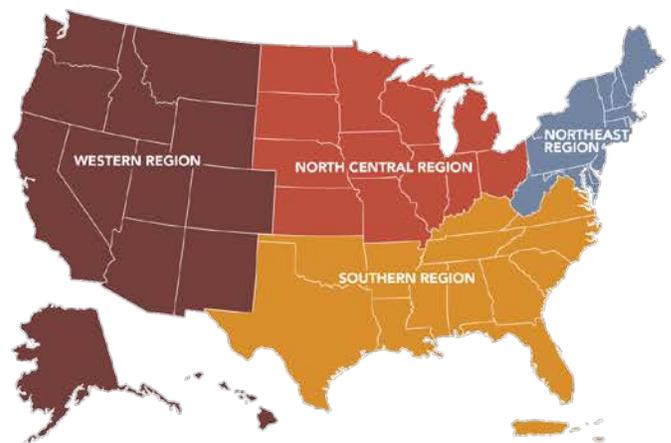
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“Educating America’s farmers and ranchers to manage the unique risks of producing food for the world’s table.”

Extension Risk Management Education (ERME) is delivered through four regional centers that provide grant funding and leadership within their regions.

Projects are producer-focused, results-based and encourage public-private partnerships. Funded projects must identify targeted results that will help producers manage risk and then describe how the project will measure those results.

Extension Risk Management Education has funded innovative programs that have generated tangible results for producers in every state. ERME is committed to funding results, providing transparent accountability, and encouraging collaboration. View the accomplishments of all funded projects on our website.
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