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LATE SUMMER INCREASE IN GRAIN PRICES

The late Summer of 2026 has seen some rather dramatic increases in the Chicago Board of Trade (CBOT) grain futures prices, as well as with cash market prices at the local level. This increase in the cash corn and soybean prices has provided an unexpected surprise to farmers that still had some of their 2025 in storage to sell prior to the 2026 harvest, as cash prices are typically at their lowest levels from July until late Fall. A majority of farm operators had already sold all or most of their 2025 corn and soybeans in storage prior to the August rally in the grain markets. All farmers do have the opportunity to take advantage of the higher grain prices to “lock-in” a price on a portion of their anticipated 2026 corn and soybean production; however, reduced crop production may limit these marketing opportunities in some areas.

December corn futures on the CBOT increased from \$4.64 per bushel on July 31, 2026 to \$5.38 per bushel on August 31, 2026, which is about a 16 percent increase during the month of August. This is the largest percentage increase in the CBOT December corn futures price ever recorded since 1980 from the end of July until the end of August. During that 46-year period, the December corn futures have increased by 5 percent or more in ten years during the month of August, with 2022 being the most recent year prior to 2026. The December futures price has increased by 10 percent or more in only three years, prior to 2026, with those years being 2011, 2003, and 1983, all of which were associated with reduced corn production. By contrast, the December corn futures price has declined by 5 percent or more 5 times in the past ten years (2016-2025) prior to 2026.

The CBOT December corn futures price of \$5.38 per bushel on August 31, 2026 was comparable to the late August CBOT prices of \$5.30 per bushel in 2022 and \$5.34 per bushel in 2021. However, the current corn price far exceeds the last August CBOT corn prices of \$4.20 per bushel in 2025, \$4.01 per bushel in 2024, \$4.80 per bushel in 2023, and \$3.57 per bushel in 2020. The CBOT December corn futures price started the year near \$4.50 per bushels, reaching a high near \$5.00 per bushel in mid-May, which was the highest price in 2026 prior to the August rally in the corn market. The corn futures price was as low as \$4.36 per bushel as recently as June 30.

The increase in the December corn futures price is large being driven by concerns over expected 2026 U.S. corn production levels. The USDA crop production report lowered the projected 2026 U.S. average corn yield from 183 bushels per acre in July to 180.7 bushels per acre in August. Some private analysts have estimated the final 2026 U.S. corn yield in the 174 to 178 bushel per acre range. The next USDA crop report, which will be released on September 11, will include data based on actual field samples. There will be considerable attention paid to this report, regarding further USDA reductions in 2026 U.S. corn yield and production estimates.

Several portions of eastern Corn Belt have been impacted by excessive rainfall at certain times during the 2026 growing season, along with the development of corn and soybean fungal diseases later in the growing season. The corn and soybean crop in large areas of Nebraska, North and South Dakota, along with western Minnesota and Iowa have been impacted by intensifying drought conditions in late July and August, which will likely reduce the yield potential in many areas. The latest U.S. Drought Monitor, released on September 3, showed that nearly 80 percent of Minnesota was in moderate drought, with over half of the State in severe drought. The drought situation was similar in North and South Dakota, Nebraska, and Wisconsin, as well in Western Iowa.

The CBOT November soybean futures price has also increased considerably in recent months. The 2026 November futures price has risen by 13.5 percent in the past three months, rising from a price of \$11.34 per bushel in mid-June to \$12.88 per bushel at the end of August. The November futures price started the year near \$10.65 per bushel, reaching a high near \$11.90 per bushel in late May, prior to the significant price increase that has occurred in late July and August. In addition to increasing drought in portions of the U.S. and the potential

for reduced production in 2026, the recent rise in soybean prices is also being driven improving demand for soybeans, both in the domestic crush markets and in export markets to China and other countries.

Basis Levels Affect Local Grain Prices

The basis level at a given location can have a big impact on the “net price” that a farmer receives for their corn or soybeans. On any given day, farm operators and others can get grain price quotes from the CME Group, also known as the Chicago Board of Trade (CBOT), in “real-time” on their computer or I-phone. Almost as quickly, they can get current and future corn and soybean market price quotes from local grain elevators, ethanol plants, and processing plants. The difference between the local grain price and the CBOT price is known as “*basis*”.

More specifically, “*basis*” is the difference between the local grain price quote on a specific date and the CBOT price for the corresponding futures contract month. Local harvest price quotes for corn and soybeans would correspond to the December CBOT corn futures price and the November CBOT soybean futures price. By comparison, storing the corn or soybeans after harvest and selling the grain via a forward contract in June or early July the following Summer would have the basis level determined by the July CBOT corn or soybean futures.

The current 2026 basis levels for corn and soybeans in Southern Minnesota have been quite wide in recent months. Recent 2026 harvest basis levels for corn in much of the Upper Midwest ranged from about \$40 to \$.60 per bushel under the CBOT December corn futures price, with basis levels in much of North & South Dakota and Northwest Minnesota exceeding \$.70 per bushel. Soybean basis levels ranged from about \$.40 to \$.70 per bushel under the CBOT price in much of Iowa, Southern Minnesota and Wisconsin, eastern South Dakota and eastern Nebraska. Fall harvest basis levels are \$.75 per higher at many locations in the balance of South Dakota and Nebraska, the northern half of Minnesota and Wisconsin, and all of North Dakota. Basis levels are slightly tighter near corn and soybean processing plants in some areas, as well as near primary shipping locations on the Mississippi River.

There are many grain marketing tools available for farm operators to utilize in addition to cash sales, including a variety of hedging, options, and basis contracts. Generally, a hedging or options contract locks in the CBOT futures price, but not the cash price, meaning that the farmer still has basis risk. For example, a “hedge-to-arrive” contract locks in a CBOT futures price but does not finalize the basis until the futures contract is cleared and the grain is actually delivered and sold at the local level. The hope is that the basis level will narrow or improve by the time that the grain is delivered to market and a final cash price is determined. By comparison, a “basis contract” locks in the basis level, but keeps the final price open depending on changes in the corresponding CBOT futures price at the time of delivery, or when setting the final price.

The wider “harvest-time” basis levels for corn and soybeans during harvest season this year is something to factor into post-harvest grain marketing decisions in the next few months. If corn and soybean futures prices continue to rally in the coming weeks and basis levels remain quite wide, it will likely encourage the use of more “hedge-to-arrive” contracts for the summer months of 2027. This will allow producers to reduce their “price risk” on the stored grain, while still being able to take advantage of potential basis improvement that may occur between the post-harvest months and the Summer of 2027. On the other hand, if localized basis levels tighten for a short-term period of time after harvest due to disappointing 2026 crop yields and strong local demand, it may be a time to sell the grain in the cash market or to use a “basis contract” to lock-in the basis level, and still have some upside potential in the corn or soybean market into next Spring.

Most grain marketing strategies, including storing unpriced grain in a bin on the farm, involve some level of price and/or basis risk. Understanding the dynamics of basis in corn and soybean market prices is a key element in analyzing the various types of grain marketing contracts that are available to farm operators. Many grain marketing advisors do a very good job of explaining the dynamics of basis and how that interacts with grain marketing strategies. Iowa State University has some good information available on understanding basis and explaining various grain marketing strategies. This information is available on the “Ag Decision Maker” website at: <https://www.extension.iastate.edu/agdm/cdmarkets.html>.

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