

Chicago Federal Reserve Bank

Midwest Agricultural Conference

16 October 2026

Big Harvest, Big Questions: Where do Midwest Crops Go...?

Event Overview

What happens to bumper harvests from Midwestern fields? **On October 16, 2026**, the Federal Reserve Bank of Chicago will hold its annual Midwest Agriculture Conference, a hybrid event featuring experts from academia, industry, and policy institutions who will delve into what farmers and those who purchase crops decide to do with the high crop yields of recent years. In the fall of 2025, Midwest farmers faced the question that every bumper crop brings: Where and how do all the bushels of corn and soybeans get stored, transported, marketed, and consumed? While some agricultural production finds a home in local bins, either on a farm or at a nearby elevator, most of the output goes to feed livestock, fuel vehicles, flavor foods, and nourish consumers. Besides domestic considerations, trade policies also impact the final destinations for bushels of crops from Midwestern farms—and the profitability of corn and soybean operations. At this event, we explore these and related issues in depth.

Insights into navigating the 2026–27 U.S. Corn and Soybean Harvest – Storage, Logistics, and Profitability

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Executive Summary

The U.S. agricultural sector enters the peak of harvest for the 2026/27 marketing year facing a dual reality: unprecedented agronomic productivity contrasted against infrastructure strains and significantly reduced economic margins.

Data from the 9th of October 2026, USDA World Agricultural Supply and Demand Estimates (WASDE) and National Agricultural Statistics Service (NASS) Crop Production reports confirm a massive supply shock.

2026/27 U.S. Supply Shock Snapshot (USDA Oct 2026 WASDE)

Crop	Avg. Yield (bpa)	Total Production	Ending Stocks
Corn	181.2 bpa	16.034 billion bu	1.849 billion bu
Soybeans	53.1 bpa (Record)	4.562 billion bu	315 million bu

The U.S. national average corn yield has been unexpectedly revised upward by 2.7 bus to 181.2 bus/acre, generating a **16.034 billion-bushel corn harvest** (the second largest on record).

Concurrently, the U.S. national average soybean yield has achieved a record yield of 53.1 bus/acre, pushing total soybean production to an all-time high of **4.562 billion- bushels**.

Compounding this immediate harvest volume is a substantial old-crop carryout. On the 30th of September 2026, the USDA NASS Grain Stocks report revealed that old-crop corn inventories on hand totaled **2.10 bbus** — a staggering 35% increase from the prior year. This massive carry-in reflects downward revisions in prior-year feed and residual utilization.

Total combined fall crop output and existing inventories represent approximately **99% of total U.S. storage capacity**, precipitating severe, localized logistical bottlenecks across the Corn Belt.

With the season-average corn price falling after the release of the USDA WASDE Report to **\$4.70 per bushel** and soybeans holding at **\$12.00 per bushel**, farm operations are operating beneath or at total economic breakeven costs.

In addition, this massive influx of grain is likely to push the total domestic marketing system of grain handling, storage, and transportation infrastructure to its absolute physical limits.

This presentation/paper evaluates how these bumper crops will be stored, transported, marketed, and consumed, while analyzing the financial repercussions of this supply-heavy landscape on Midwestern producers.

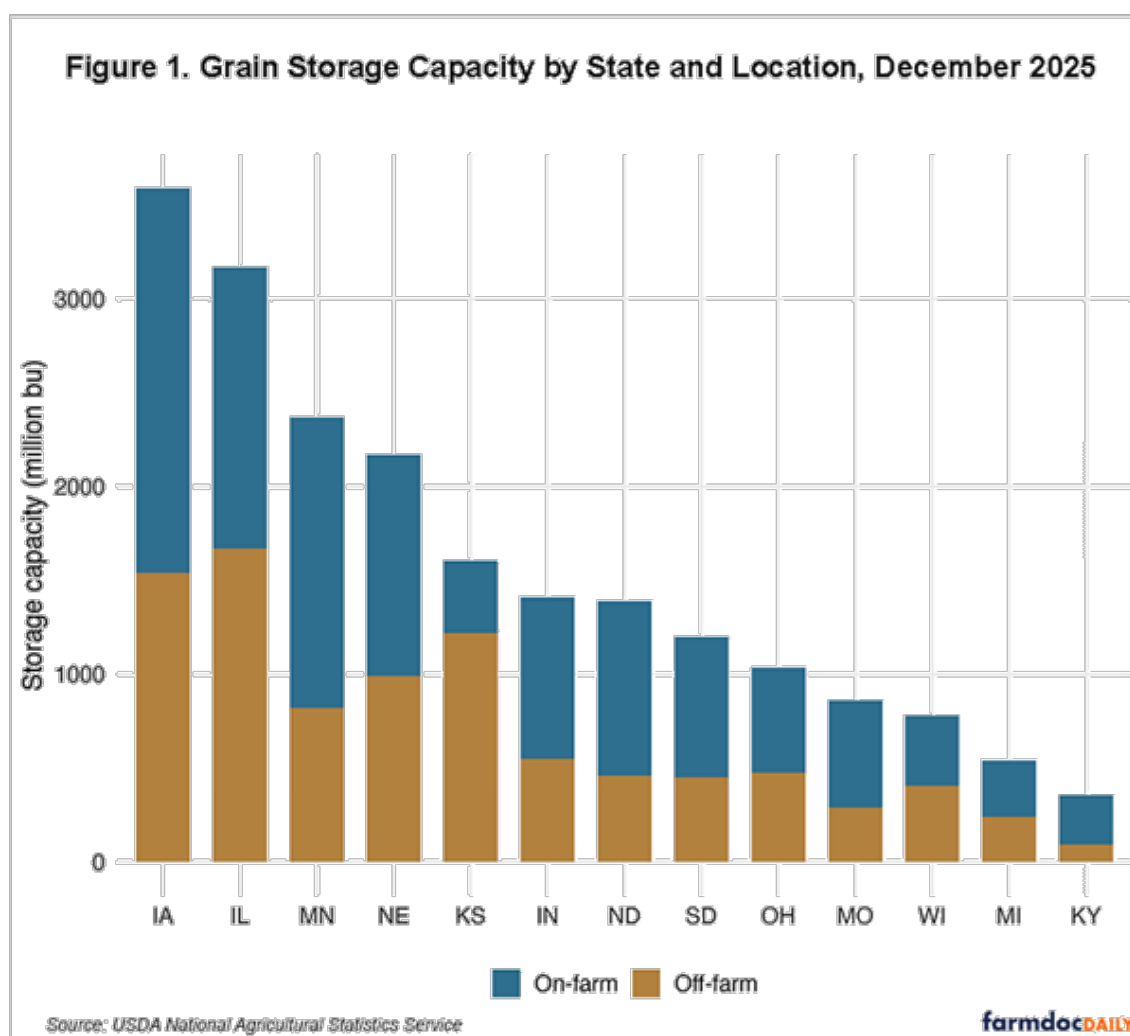
This paper analyzes the spatial and temporal macroeconomic pressures resulting from this abundant harvest. Furthermore, it examines regional grain storage capacity constraints, shifting farm-level marketing strategies under high-interest-rate environments, multi-sector procurement patterns, domestic supply chain pathways, and the impacts of trade policies. Finally, it outlines the severe structural margin squeeze facing Midwestern farming operations as season-average farm-gate prices decline to \$4.70 per bushel for corn.

1 Grain Storage Capacity and Spatial Utilization Dynamics

As of the most recent estimates from the [USDA National Agricultural Statistics Service \(NASS\)](#), the total U.S. grain storage and warehousing space available stands at approximately 25.49 billion bushels.

With the historically large volume of the 2026 U.S. harvest, vulnerabilities in the geography of domestic agricultural infrastructure have been exposed. Aggregate national metrics suggest a balanced balance sheet, but a localized spatial analysis reveals unprecedented physical capacity deficits across the primary production regions of the Corn Belt.

1.1 National Stagnation and Spatial Disconnect



Source: Aayush Raj Dhakal and Joe Janzen, "Enough Room for the Harvest? Grain Storage Pressure in the Corn Belt," FarmDoc Daily, Department of Agriculture and Consumer, Revised 12 October 2026

As of October 2026, the total commercial and on-farm rated grain storage capacity in the United States stands at approximately **25.5 billion bushels**, with on-farm structures accounting for roughly 53% (13.62 billion bushels) and licensed commercial off-farm facilities comprising 47% (11.87 billion bushels).

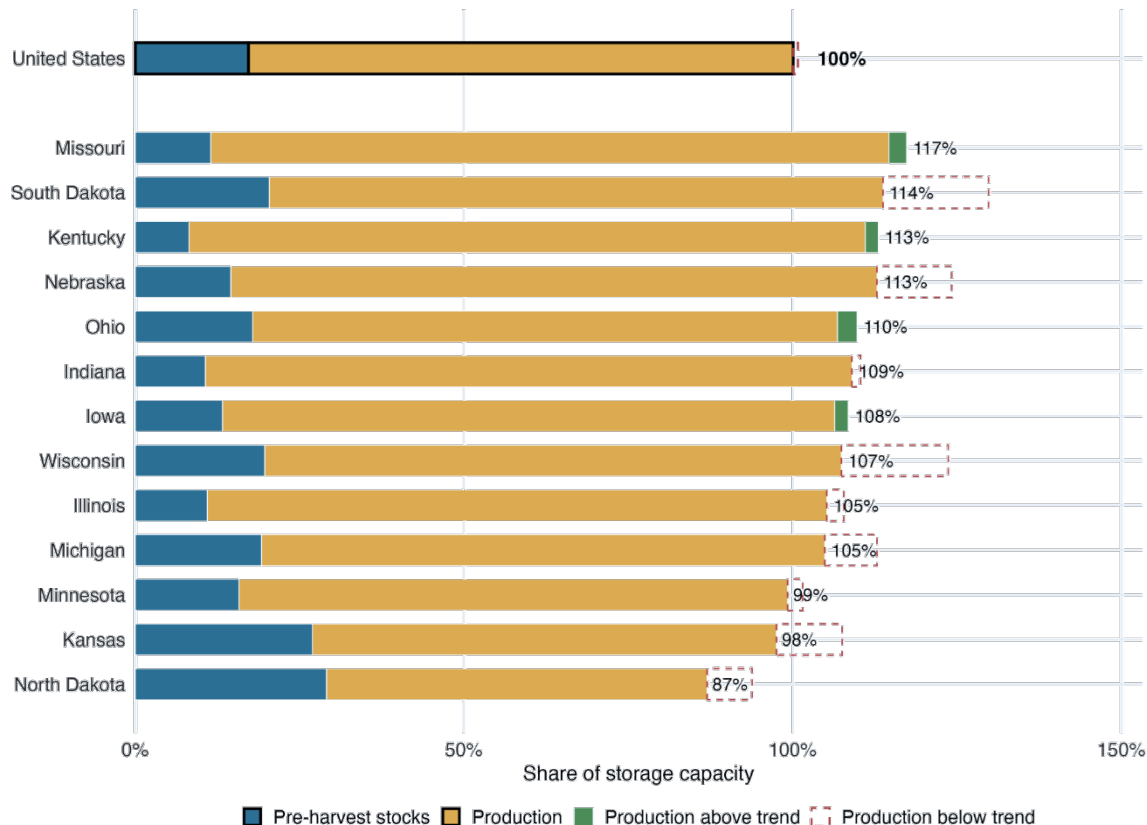
- **On-Farm Capacity: 13.62 billion bushels** (roughly 53% of total space). This includes bins, cribs, and structures located directly on farm sites.
- **Off-Farm Capacity: 11.87 billion bushels** (roughly 47% of total space). This includes licensed, rated commercial operations such as elevators, terminals, refineries, and merchant mills.

While a simple national-level calculation indicates that total old-crop carry-in stocks plus new-crop corn, soybean, and sorghum production represent roughly **99% of total national storage capacity**, this aggregate figure masks extreme structural bottlenecks.

The system can experience acute localized warehousing space deficits, where total grain supplies (new crop production plus September 1st carry-in) dramatically exceed permanent storage capacity.

Agricultural infrastructure investment has stagnated dramatically over the post-pandemic period. Between 2000 and 2019, U.S. grain storage capacity expanded by an average of 297 to 350 million bushels annually, tracking in lockstep with technological yield improvements. However, since 2020, structural headwinds, including elevated commercial capital costs, high interest rates, and soaring construction material expenses, have caused capacity growth to flatten, adding a mere 338 million bushels over six years. Consequently, the system is being forced to process record volumes through an inflexible and fixed asset base.ⁱ

1.2 State-Level Storage Strain



Source: Aayush Raj Dhakal and Joe Janzen, "Enough Room for the Harvest? Grain Storage Pressure in the Corn Belt," *FarmDoc Daily*, Department of Agriculture and Consumer, Revised 12 October 2026

According to the University of Illinois *FarmDoc Daily* spatial analysis, revised the 12th of October 2026, specific states face unprecedented storage utilization metricsⁱⁱ:

- **Missouri**: Confronts the most severe storage deficit in the nation, with projected demand reaching **117% of permanent capacity**.
- **Kentucky**: Projected storage requirements stand at **113% of capacity**.
- **Ohio**: Projected storage requirements stand at **110% of capacity**.
- **Indiana and Iowa**: Both exceed the 100% threshold, 109% and 108%, respectively, meaning that the absolute physical volume of old-crop inventories and new-crop field runout cannot be contained within standard-rated steel or concrete structures simultaneously.

- **Illinois and Nebraska:** While possessing a large total storage capacity, these core states are operating at **96% to 98% utilization**, leaving virtually zero margin for transit delays.
- Conversely, many areas in the Western Cornbelt, such as **Minnesota, Kansas, and North Dakota**, maintain aggregate utilization levels below 100%, functioning as critical safety valves for the broader multi-state logistics network.

In local areas where the need for warehousing space is running tight during the “gut-slot” harvest period, we can expect to see local basis values decline to levels where local country elevators can price in expensive harvest transportation costs and lower harvest destination pricing. *(This pricing relationship can be most immediately observed in the CIF NOLA Barge Markets and the cost of Barge Freight...)*

However, if cash carries become wide enough, in order to handle the structural overflow, commercial cooperatives and individual producers will aggressively deploy temporary storage solutions to capture this storage revenue. This may include outdoor asphalt pads wrapped in polyethylene tarps, bunker silos, and flexible grain rings.

However, these temporary options expose the grain to ambient humidity and biological deterioration. This risk is amplified by late-season rainfall across the Western Corn Belt, which has compromised grain quality and raised concerns over field losses and low-test weights. These potential expenses are calculated into the country elevator’s strategic temporary storage decisions.

To bridge the spatial deficit in the central and eastern Corn Belt, commercial handlers are relying extensively on emergency temporary storage permits—such as outdoor asphalt slabs, ring-and-tarp systems, and converted bunker facilities. While these options provide immediate spatial relief, they introduce acute post-harvest biological risks, including moisture degradation, mold propagation, and discolored kernels, which complicate quality blending operations later in the marketing year.

2 Farm-Level Marketing Strategies and Selling Patterns

The overwhelming supply shock and subsequent drop in corn and wheat prices prompted by the October 9th USDA WASDE Report have radically altered traditional producer marketing behaviors, leading to a stark bifurcated selling pattern driven by capital preservation and market structure.

Prior to this shift in market structure, one would have anticipated more aggressive “spot” harvest delivery selling across the scale.

Structural Shift in Anticipated Producer Marketing and Selling Patterns

Following the October WASDE release, December corn futures plunged over 20 cents, establishing an 8-week low. This price action triggered an immediate shift away from cash sales at the point of harvest.

What is not known at this point in time is the volume of “harvest delivery” selling that was done by producers in the run-up in prices since August, and the price to the 9th of October shift in prices.

The intersection of falling cash futures prices, a larger production estimate, and the increase in tightness of physical storage space has reshaped previously anticipated farmer marketing behavior.

Producer Marketing Choice Matrices (Harvest 2026)

=====	
Constraint	Immediate Action

Sufficient On-Farm Bin Space	-> Lock bins, store dry corn, defer cash sales
No Commercial Pile Space	-> Force-sell soybeans, commercial storage for corn
Hedging Portfolio Intact	-> Capture counter-seasonal basis appreciation
=====	

Producers are now expected to execute a **"store-and-lock"** (*more commonly referred to as a storage hedge or capturing the carry*).

Or, more likely, they will execute a **"store-and-ignore"** or **"hold-and-hope"** strategy for corn while preferentially moving soybeans into the commercial channel (*storing corn unhedged and praying prices go up*).

Because corn is structurally resilient and can remain standing late into the winter without catastrophic field loss, producers are prioritizing the harvest and immediate commercial delivery of soybeans, which carry higher absolute per-bushel value (\$12.00/bu vs. \$4.70/bu).

On-farm storage bins (787 million bushels of carry-in plus new crop) are filled with dry corn, allowing farmers to refuse low local bids. Consequently, commercial grain handlers are being forced to dramatically widen their spot-market "basis"; the differential between the local cash price and the Chicago Board of Trade (CBOT) futures price—to disincentivize physical deliveries at congested facilities.

However, because harvest progress was delayed in early October by wet weather—with Iowa corn only 7% harvested and Nebraska at 9-10% by early October—a counter-seasonal firming of the basis occurred in the prompt cash market as crushers and exporters scrambled to cover immediate pipeline needs. For producers who established early futures hedges, this short-term basis appreciation offers a narrow window to liquidate grain profitably. For unhedged producers, the dominant pattern remains cash asset conservation: commercial storage, Delayed Pricing (DP) contracts, and the utilization of USDA Farm Service Agency Commodity Loans to secure short-term liquidity without triggering capital-destroying cash sales at the harvest low.

2.1 Storage Optimization and Deferred Marketing

With December corn futures falling sharply toward **\$4.70 per bushel farm-gate average** and cash bids plummeting at interior elevators, producers are exhibiting a strong resistance to selling at low harvest prices. Farmers are maximizing their proprietary on-farm storage assets to isolate their grain from weak commercial basis levels. By locking away bushels in on-farm bins, operators hope to capture post-harvest basis appreciation and market carry through the winter and spring months.

However, the financial mechanics of holding grain have shifted fundamentally due to macroeconomic factors. Total U.S. farm debt has escalated to a **record \$605 billion**, and the prevailing high-interest-rate environment has significantly increased the opportunity

cost of holding unpriced crop inventories. Commercial storage fees, combined with the interest costs of carrying unpaid operating lines of credit, mean that storing grain requires a clear and calculable improvement in cash prices to remain economically viable.

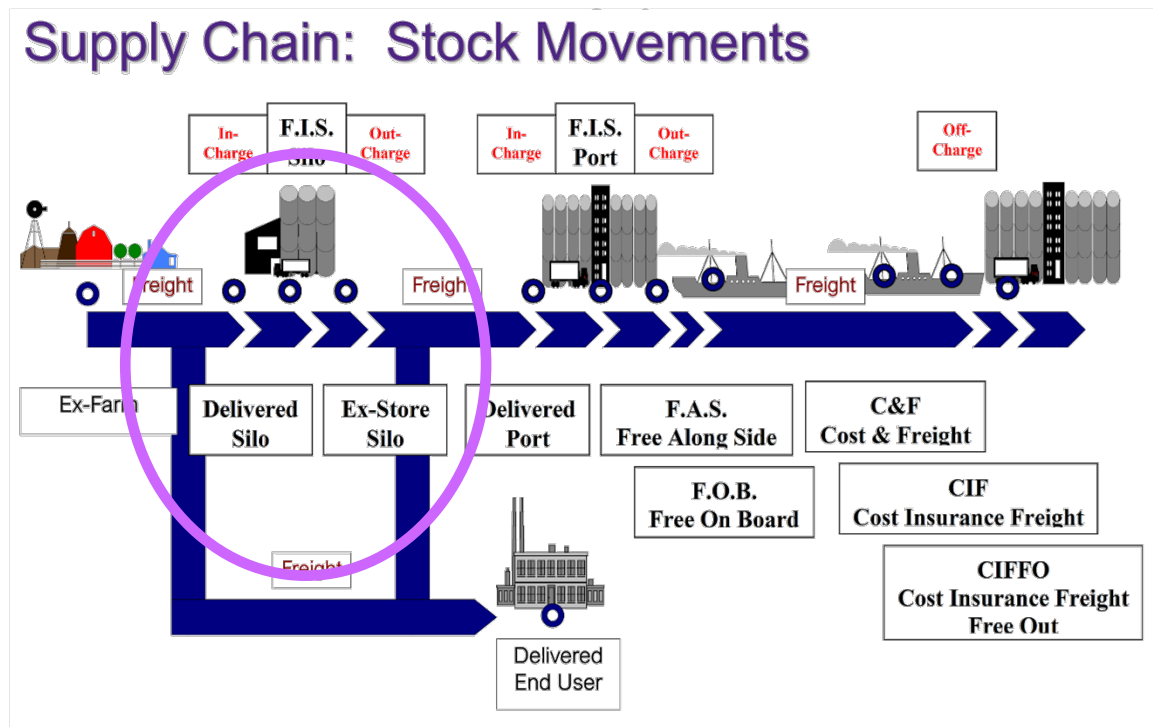
2.2 The Cash Flow Squeeze and Forced Liquidations

Despite an overarching desire to hold grain, many producers are forced to execute "dump and run" marketing strategies. Operators facing immediate cash flow demands—such as land rent obligations, machinery loan maturities, and operating debt paydowns—are compelled to sell directly out of the field.

This forced liquidation pattern is particularly evident in soybeans. Because soybeans command a higher nominal value per bushel (**projected at \$12.00 per bushel**) compared to corn, they are frequently sold directly at harvest to generate the liquidity needed to meet immediate operational liabilities. Consequently, corn is heavily channeled into permanent on-farm storage bins, while soybeans bear the brunt of early commercial handling and exporting pipelines.

3 Post Farm Gate – Commercial Warehousing and Marketing Strategies

The commercial country elevator serves as the vital link between localized farms and the global agricultural supply chain. Acting as the primary point of origination, it also facilitates the primary grain storage and warehousing function in the supply chain, holding grain inventories until required by the market.



As previously stated, commercial **Off-Farm Capacity** represents **11.87 billion bushels** (roughly 47% of total space). They are comprised of licensed, rated commercial operations like elevators, terminals, refineries, and merchant mills.

However, its function is not just about holding physical bushels; it facilitates a complex operational and financial balancing act designed to manage physical space, preserve quality, and capture market margins. These supply chain participants operate as **commercial hedgers**, with the company-owned inventories they hold typically hedged in related futures and derivative markets, leaving the firm holding only the risk of residual basis.

The following is a breakdown of how the country elevator executes its storage and warehousing function:

3.1 Physical Capacity Management and Consolidation

Country elevators aggregate small, irregular truckloads of grain from local farmers and consolidate them into massive, uniform volumes. This enables efficient bulk transport via rail or barge.

- **Space Allocation:** Elevators must balance space between **company-owned grain** (grain purchased outright from farmers) and **open storage/warehouse receipted grain** (grain held on behalf of farmers who are paying a monthly storage fee).
- **Blending and Segregation:** The warehousing function requires elevators to separate grain by commodity type and grade factors (such as moisture, test weight, and damage). Clever warehouse operators use "blending" to mix premium and sub-par grain to meet exact contract specifications, maximizing the value of their stored inventory.

3.2 Quality Preservation and Conditioning

Grain is a living, perishable biological organism. Safely warehousing grain for months at a time requires continuous physical management to prevent spoilage, insect damage, and shrinkage.

- **Drying and Aeration:** Elevators use high-capacity commercial dryers to reduce grain moisture content to safe storage levels (e.g., 14% to 15% for corn). Large aeration fans circulate cool air through the bins to maintain consistent grain temperatures and prevent hot spots.
- **Monitoring:** Modern facilities utilize digital temperature cables and carbon dioxide sensors throughout the silos to catch early signs of grain spoilage before it destroys the value of the bin.

3.3 Financial and Market Functions (Capturing the "Carry")

In agricultural economics, the warehousing function is deeply tied to price risk management and market structure. Country elevators rarely store grain speculatively; instead, they use the futures market to hedge.

3.3.1 Earning Storage Space Income

Country Elevators monetize their physical bins and warehousing space through storage fees on third-party grain held in **Open Storage**, and on **Company-Owned** grain through active merchandising activity.

- **Warehouse Receipts:** Under the Federal United States Warehouse Act (USWA) or state licensing systems, country elevators can issue negotiable or non-negotiable warehouse receipts to producers or third parties for which they are holding inventories of grain in Open Storage. These legal documents prove ownership of a specific quantity and grade of grain, allowing farmers to use their stored crop as collateral for operating loans while it sits in the elevator's bins.
- **Shipping Certificates:** Shipping certificates in the grain industry are negotiable financial instruments used to make deliveries against agricultural futures contracts (such as wheat or corn). A shipping certificate commits a specific approved grain facility or elevator to deliver a designated quantity and quality of a commodity upon request by the holder.

3.3.2 Merchandising Income

Country Elevators rarely speculate on the absolute direction of grain prices. Instead, they operate as margin managers, using futures contracts to eliminate price risk while locking in a profit for utilizing their physical storage space.

Country Elevators monetize their company-owned inventories held in their physical warehousing assets through **basis appreciation** and **market carries**. This is when the forward cash and futures market is in a carry (*contango*) structure (i.e., distant forward months are trading at a premium to the nearby month).

In these situations, most commonly seen through the harvest period, the elevator will buy cash grain from farmers, hedge it in a deferred futures month, and lock in a guaranteed return to pay for the cost of holding that grain over time.

An elevator's gross storage margin depends on three moving parts: the buying basis, the selling basis, and the futures spread.

Gross Margin = Selling the Basis – Buying the Basis + Futures Spread

Buying Basis: The local cash price paid to the farmer at harvest relative to the nearby futures contract.

Selling Basis: The local cash price received from an end-user (e.g., an ethanol plant or terminal) later in the year relative to the deferred futures contract.

Futures Spread: The price difference between a nearby futures contract month and a deferred futures contract month (facilitated by effective hedge placement).

These are all a function of grain merchandising activities.

4 Multi-Sector Procurement Dynamics for the 2026–27 Marketing Year

The absorption of a **16 bus corn** crop and a **4.56 bbus soybean** crop requires robust demand across all domestic and international consumption channels.

The October 2026 WASDE balance sheets indicate that while consumption is expanding in response to lower prices, the rate of demand growth lags behind total supply expansion, resulting in a substantial accumulation of ending stocks.

U.S. Corn and Soybean Disappearance Breakdown (USDA October 2026)

=====		
Sector	Corn Demand Metric	Soybean Demand Metric

Livestock Feed & Residual	5.325 bbus	N/A
Domestic Crush / Processing	1.465 bbus	2.780 bbus (Record)
Ethanol & Biofuels	5.650 bbus	12.425 blbs (Oil)
Total Exports	3.300 bbus	1.695 bbus
=====		

4.1 Corn and Coarse Grains Usage

4.1.1 Corn Supply & Demand Fundamentals – United Statesⁱⁱⁱ

CORN	2024/25	2025/26 Est.	2026/27 Proj. Sep	2026/27 Proj. Oct
	<i>Million Acres</i>			
Area Planted	90.9	98.7	96.8	96.8
Area Harvested	83.0	90.9	88.5	88.5
	<i>Bushels</i>			
Yield per Harvested Acre	179.3	186.5	178.5	181.2
	<i>Million Bushels</i>			
Beginning Stocks	1,763	1,551	1,922	2,095
Production	14,892	16,964	15,800	16,034
Imports	22	31	25	25
Supply, Total	16,677	18,546	17,747	18,154
Feed and Residual	5,437	6,119	5,950	6,000
Food, Seed & Industrial 2/ Ethanol & by-products 3/ Domestic, Total	6,816 5,437 12,253	6,903 5,547 13,022	6,955 5,600 12,905	7,005 5,650 13,005
Exports	2,873	3,429	3,275	3,300
Use, Total	15,126	16,451	16,180	16,305
Ending Stocks	1,551	2,095	1,567	1,849
Avg. Farm Price (\$/bu) 4/	4.24	4.16	4.80	4.70

Note: Totals may not add due to rounding. 1/ Marketing year beginning September 1 for corn and sorghum; June 1 for barley and oats. 2/ For a breakout of FSI corn uses, see Feed Outlook table 5. 3/ Corn processed in ethanol plants to produce ethanol and by-products including distillers' grains, corn gluten feed, corn gluten meal, and corn oil. 4/ Marketing-year weighted average price received by farmers. * For July, corn planted and harvested area as reported in the June 30, 2026, "Acreage." The yield projection is based on a weather-adjusted trend assuming normal planting progress and summer growing season weather.

4.1.2 Grain Sorghum Supply & Demand Fundamentals – United States^{iv}

SORGHUM	2024/25	2025/26 Est.	2026/27 Proj. Sep	2026/27 Proj. Oct
	<i>Million Bushels</i>			
Area Planted (mil. acres)	6.3	6.6	6.0	6.0
Area Harvested (mil. acres)	5.6	6.0	5.2	5.2
Yield (bushels/acre)	61.3	72.6	54.4	55.7
Beginning Stocks	33	40	37	35
Production	344	437	284	291
Imports	0	0	0	0
Supply, Total	377	477	321	326
Feed and Residual	140	116	60	60
Food, Seed & Industrial Total Domestic	98 238	120 236	80 140	80 140
Exports	98	206	160	160
Use, Total	336	442	300	300
Ending Stocks	40	35	21	26
Avg. Farm Price (\$/bu) 2/	4.07	3.67	4.60	4.50

4.1.2.1 Livestock Feed and Residual Use

The USDA's feed and residual category for corn is projected to rebound to **5.325 billion bushels** for the 2026/27 marketing year, an increase of 50 million bushels from September estimates. This adjustment reflects the microeconomic realities of animal nutrition: *cheaper feed prices directly improve cattle and poultry feeding margins.*

Feeder cattle futures responded positively to the downward correction in corn prices, signaling an expected expansion in feedlot placements.

However, this expansion is constrained by structural limits within the livestock sector. Broiler production is growing, up 100 million pounds to **49.72 billion pounds**, but the swine sector is contracting. The USDA lowered its 2026 pork production forecast by 150 million pounds to **27.621 billion pounds** due to soft export demand and domestic margin pressure.

Furthermore, the 2.10-billion-bushel carry-in established that actual livestock feed disappearance during the 2025/26 marketing year was over-estimated by nearly 231 million bushels. This demonstrates that livestock diets cannot expand fast enough to absorb consecutive bumper harvests.

The USDA pegged 2026–27 corn feed and residual use at **6.000 billion bushels**, representing a modest 50-million-bushel increase from prior monthly projections. However, this figure remains a point of intense economic debate.

Some analysts argue that a 6.0-billion-bushel feed consumption target may overstate real demand, given structurally low domestic cattle inventories. The expanded feed projection likely reflects an expectation of elevated "residual" losses—a statistical category that accounts for physical shrinkage, handling waste, and storage spoilage resulting from the widespread use of emergency temporary storage systems across the Corn Belt.

4.1.2.2 Ethanol and Biofuels Processing

The domestic renewable fuel sector remains a highly stable consumer of the corn crop. Corn utilization for ethanol distillation is projected at **5.650 billion bushels** for the 2026–27 marketing year, supported by robust blending margins and a drop in raw feedstock costs.

Lower feedstock costs have optimized processing margins for dry-mill ethanol plants across Iowa, Nebraska, and Illinois, prompting high-capacity utilization rates.

This domestic industrial use is supported by strong export demand for finished ethanol, which reached 1.62 billion gallons through late summer. It is also supported by consistent export volumes of Co-Product Distillers Dried Grains with Solubles (DDGS), which totaled 8.57 million tons.

4.1.2.3 Food, Industrial, and Seed (FIS) Processing

Domestic processing of corn for food and industrial applications remains steady at **1.465 billion bushels**. This is driven by consistent manufacturing demand for high-fructose corn syrup (HFCS), starch, and glucose.

4.1.2.4 Export

The export sector serves as the primary mechanism for clearing surplus harvest volumes. Following the production increases in the October WASDE report, the USDA adjusted export projections upward for both corn and grain sorghum crops:

Corn exports are projected at **3.30 billion bushels**, up 25 million bushels from September, supported by structural crop failures in Europe (where French corn production fell 38% due to adverse weather) and growing demand in Mexico and North Africa.

The expansion in corn export volumes is driven by competitive **U.S. FOB Gulf** and Pacific Northwest (PNW) pricing, which has fallen enough to capture global market share from South American competitors.

Grain sorghum exports were left unchanged at **160 million bushels** (4.064 mmts). Export volume projections have been revised upward due to lower prices, which enhance U.S. competitiveness.

With China remaining absent from the export market, grain sorghum will continue to need to price itself into either U.S. domestic and Mexico feed markets, or the U.S. ethanol grind.

Despite these higher figures, total export demand remains vulnerable to global economic factors. These include the strength of the U.S. dollar and ongoing agricultural investments in South America.

4.2 Soybeans and Oilseeds Usage

4.2.1 Soybean Supply & Demand Fundamentals – United States^v

SOYBEANS	2024/25	2025/26 Est.	2026/27 Proj.	2026/27 Proj.
			Sep	Oct
		<i>Million Acres</i>		
Area Planted	87.3	81.2	86.9	86.9
Area Harvested	86.2	80.4	85.9	85.9
		<i>Bushels</i>		
Yield per Harvested Acre	50.7	53.0	52.8	53.1
		<i>Million Bushels</i>		
Beginning Stocks	342	325	325	315
Production	4,374	4,261	4,535	4,562
Imports	30	22	25	25
Supply, Total	4,746	4,608	4,885	4,902
Crushings	2,445	2,646	2,780	2,780
Exports	1,892	1,515	1,685	1,695
Seed	70	75	73	73
Residual	14	57	38	39
Use, Total	4,421	4,293	4,575	4,587
Ending Stocks	325	315	310	315
Avg. Farm Price (\$/bu) 2/	10.00	10.50	12.00	12.00

4.2.1.1 Food, Industrial, and Seed (FIS) Processing

In the soybean sector, domestic crushing demand is projected at a historic record of **2.78 bbu**. This marks the sixth consecutive year of record-breaking domestic crush volume.

Biofuels - Biomass-Based Diesel

Concurrently, the soybean processing sector is operating at maximum industrial capacity. Soybean crush requirements remain anchored by long-term demand for biomass-based diesel feedstock. The capacity to process oilseeds domestically provides a vital buffer for interior soybean prices, isolating local soybean values from international trade disruptions and river logistics bottlenecks.

The biofuels sector represents the primary domestic growth engine for soybeans and other oilseeds. This expansion is entirely structural, driven by the domestic renewable diesel industry's demand for soybean oil feedstocks. This domestic demand effectively isolates the crushing sector from broader international raw oilseed volatility.

Soybean oil consumption for methyl ester and renewable diesel production is supported by federal and state carbon intensity mandates. Soybean oil allocations for domestic fuel use

are sustained by legislative actions, including bipartisan initiatives like the extension of the small biodiesel producer tax credit through 2029. This keeps domestic soybean crush operating at maximum physical limits regardless of international trade headwinds.

4.2.1.2 Exports

The export sector serves as the primary mechanism for clearing surplus harvest volumes. Following the production increases in the October WASDE report, the USDA adjusted export projections upward for soybeans:

Soybean exports are forecast at **1.695 billion bushels**, an upward adjustment of 10 million bushels. This increase reflects an 80% acceleration in early-season export commitments compared to the same period in 2025, driven by near-term buying interest from East Asia.

This expansion in export volumes is driven by competitive U.S. FOB Gulf and Pacific Northwest (PNW) pricing, which has fallen enough to capture global market share from South American competitors.

Despite these higher figures, total export demand remains vulnerable to global economic factors. These include the strength of the U.S. dollar and ongoing agricultural investments in South America.

4.2.2 Soybean Meal Supply & Demand Fundamentals – United States^{vi}

SOYBEAN MEAL	2024/25	2025/26 Est.	2026/27 Proj. Sep	2026/27 Proj. Oct
	<i>Thousand Short Tons</i>			
Beginning Stocks	453	398	450	450
Production 4/	58,443	62,912	65,800	65,800
Imports	806	1,015	900	1,000
Supply, Total	59,703	64,325	67,150	67,250
Domestic Disappearance	41,232	43,375	44,000	44,100
Exports	18,073	20,500	22,700	22,700
Use, Total	59,305	63,875	66,700	66,800
Ending Stocks	398	450	450	450
Avg. Price (\$/s.t.) 2/	300.33	325.32	340.00	340.00

4.2.3 Soybean Oil Supply & Demand Fundamentals – United States^{vii}

SOYBEAN OIL	2024/25	2025/26 Est.	2026/27 Proj. Sep	2026/27 Proj. Oct
	<i>Million Pounds</i>			
Beginning Stocks	1,551	1,747	1,837	1,657
Production 4/	29,218	30,715	32,945	32,945
Imports	362	525	600	700
Supply, Total	31,131	32,987	35,382	35,302
Domestic Disappearance	26,912	30,355	33,105	33,105
Biofuel 3/	11,758	14,800	17,800	17,800
Food, Feed & other Industrial	15,154	15,555	15,305	15,305
Exports	2,472	975	400	400
Use, Total	29,384	31,330	33,505	33,505
Ending stocks	1,747	1,657	1,877	1,797
Avg. Price (c/lb) 2/	47.59	64.08	70.00	70.00

5 Logistics, Supply Chain Architecture, and Spatial Consumption Pathways

Moving a record of over 20 billion bushels of combined grains and oilseeds from the interior Upper Midwest to domestic and international end-users requires a complex, multi-modal supply chain.

5.1 The Inland Gathering Network

The initial post-harvest supply chain begins with short-haul truck movements from fields to on-farm bins or localized country elevators. From these interior accumulation points, grain is consolidated into high-efficiency, 110-car shuttle trains operated by Class I railroads. These unit trains are optimized for high-speed transit to long-distance destinations, notably the processing clusters of the domestic Southwest livestock feeding operations, the structural deficit regions of the Southeast, and the export terminals of the PNW.

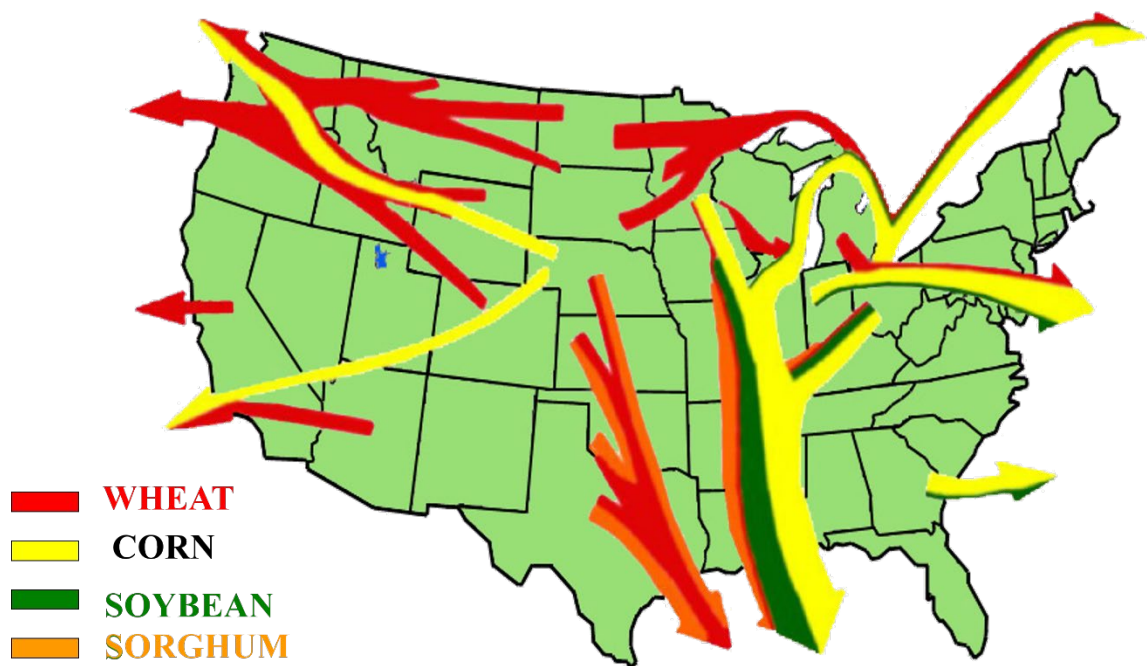
5.2 Logistics and Spatial Flow: From Midwestern Fields to Domestic and Global End-Users

The physical transit of billions of bushels of grain requires a coordinated, multimodal logistics network spanning truck, rail, and barge systems.

The geographic origin of the grain dictates its supply chain path:

Midwest Grain Transport Corridors & Flows

Origin Region	Primary Mode	Key Linkages	Final Destination
Local Processing	Truck Short-Haul	Direct-to-Plant	Domestic Ethanol / Crush Plants
Central/East Belt	River Barge	Miss. / Illinois Riv.	Gulf of Mexico Export Ports
Western Corn Belt	Class I Rail	BNSF / Union	Pacific Northwest (PNW) / Mexico



5.2.1.1 Central and Eastern Corn Belt Flow (Iowa, Illinois, Indiana, Ohio)

This region relies on the inland waterway network. Grain is trucked to river terminals along the Mississippi, Illinois, Ohio, and Missouri rivers. It is then loaded into standard 1,500-ton barges for multi-barge tow transport to the **Center Gulf export hub**; i.e., CIF NOLA (*Costs, Insurance and Barge Freight, New Orleans, LA.*)

This water-based logistics chain provides low-cost transportation, which is essential for maintaining competitive U.S. corn and soybean export pricing in European, North African, and Latin American markets. However, the efficiency of this system is vulnerable to seasonal low-water restrictions on the Lower Mississippi River or delays at aging lock-and-dam structures, both of which can quickly cause grain to back up into interior markets, which, with recent rainfall events, is not a problem at the moment.

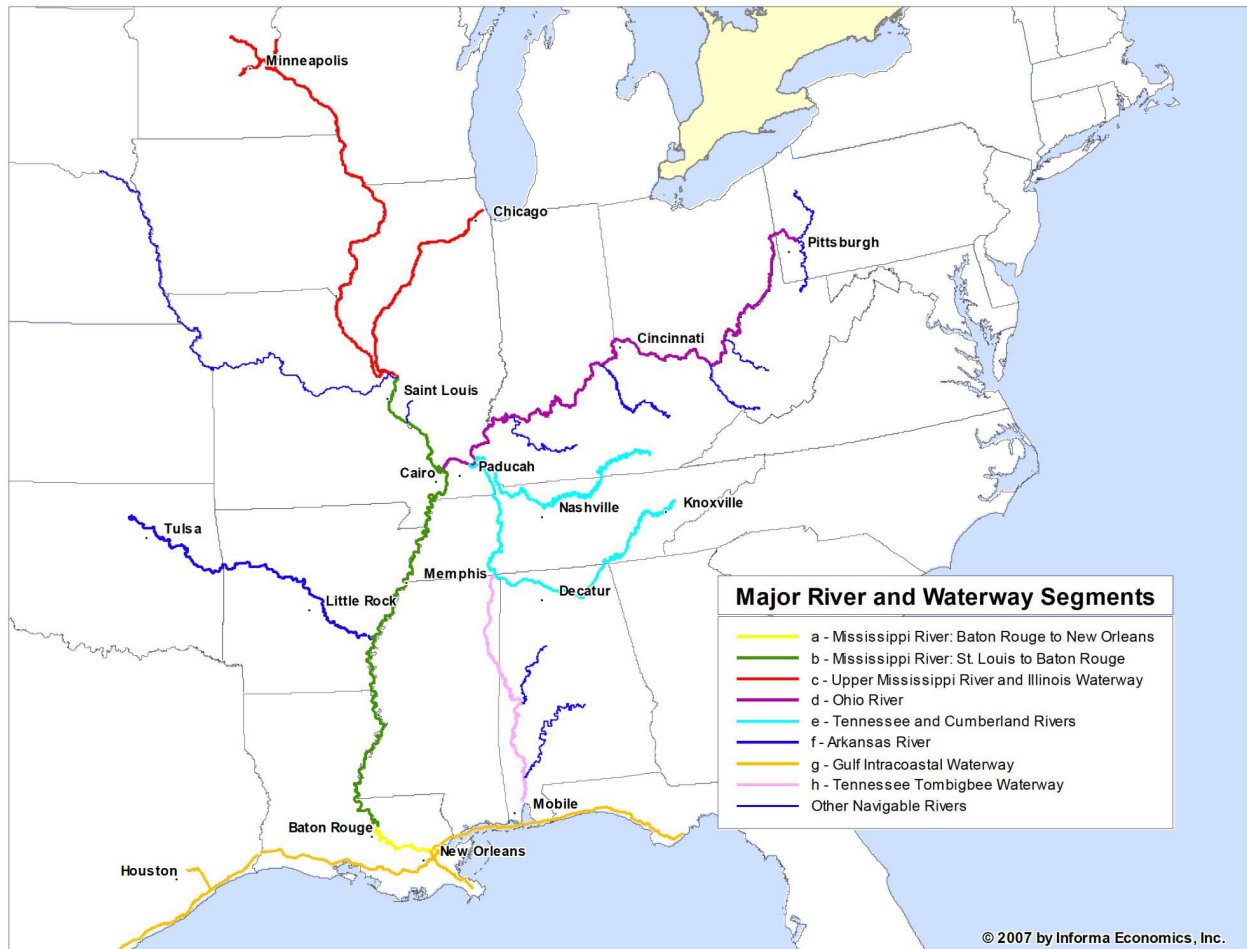
With this season's reduced production in Europe due to severe drought condition, and the increasing challenges of Russian and Ukrainian exports out of the Black Sea, and the potential shift to the Baltic Sea, the U.S. is increasingly competitive in pricing exports into the Middle East and North Africa (MENA).

5.2.1.2 Western Corn Belt Flow (Nebraska, Kansas, South Dakota)

Due to a major yield recovery in Nebraska (up to 188 bpa) and South Dakota (151 bpa), immense grain volumes are entering the Class I rail network via the BNSF and Union Pacific railroads. This grain is loaded into 110-car shuttle trains at high-speed commercial elevators.

The primary destination for this rail-bound grain is the **Pacific Northwest (PNW)** export gateway for bulk vessel shipment to **Asian destinations**, or direct southbound rail corridors leading into **central Mexico's** feed and milling markets. Local production is also routed via short-haul trucks directly to regional cattle feedlots and ethanol plants.

5.2.1.3 River Corridor - Mississippi



The Mississippi River barge freight market trades largely through decentralized spot and contract agreements anchored to historical benchmark tariffs established in 1976.

Barge Freight Market as of the 12th of October 2026

IL RIVER FREIGHT

	10/9/2026	10/12/2026	
wk 10/4	825/875	825/875	UNC
wk 10/11	825/875	825/875	UNC
LH OCT	775/825	775/825	UNC
NOV	675/725	675/725	UNC
DEC	625/675	625/675	UNC
JFM	600/650	600/650	UNC
AMJJ	550/600	550/600	UNC

UPPER MISSISSIPPI			
ST PAUL/SAVAGE	10/9/2026	10/12/2026	
wk 10/4	825/875	825/875	UNC
wk 10/11	825/875	825/875	UNC
LH OCT	800/850	800/850	UNC
NOV	750/800	750/800	UNC
AMJJ	625/675	625/675	UNC
MID MISSISSIPPI			
McGregor	10/9/2026	10/12/2026	
wk 10/4	825/875	825/875	UNC
wk 10/11	825/875	825/875	UNC
LH OCT	775/825	775/825	UNC
NOV	725/775	725/775	UNC
DEC	675/725	675/725	UNC
AMJJ	575/625	575/625	UNC
ST LOUIS BARGE			
FREIGHT 14'	10/9/2026	10/12/2026	
wk 10/4	700/750	700/750	UNC
wk 10/4	700/750	700/750	UNC
wk 10/11	675/725	675/725	UNC
LH OCT	675/725	675/725	UNC
NOV	600/650	600/650	UNC
DEC	550/600	550/600	UNC
JFM	525/575	525/575	UNC
AMJJ	450/500	450/500	UNC
LOWER			
OHIO RIVER	10/9/2026	10/12/2026	
wk 10/4	800/850	800/850	UNC
wk 10/11	800/850	800/850	UNC
LH OCT	700/750	700/750	UNC
NOV	650/700	650/700	UNC
DEC	600/650	600/650	UNC
JFM	550/600	550/600	UNC
AMJJ	500/550	500/550	UNC
MEMPHIS CAIRO			
	10/9/2026	10/12/2026	
wk 10/4	525/575	525/575	UNC
wk 10/11	500/550	500/550	UNC
LH OCT	500/550	500/550	UNC
NOV	500/550	500/550	UNC
DEC	475/525	475/525	UNC
JFM	450/500	450/500	UNC
AMJJ	425/450	425/450	UNC

How Barge Freight Pricing Works

- **Benchmark Tariffs (The % of Tariff System):** Although the Interstate Commerce Commission (ICC) and Waterways Freight Bureau deregulated barge rates in 1976, the industry still quotes freight rates as a **percentage of a baseline tariff** for specific origin points along the river.
- **The Formula:** Actual cost per ton is calculated by multiplying the quoted percentage by the historical benchmark rate for that region:

$$\text{\$/ton} = (\text{Rate (\%)} \times \text{Benchmark Tariff Rate}) / 100$$

Regional Benchmarks: Historical baseline tariffs vary by origin port:

- **Twin Cities:** \$6.19 per ton (100% tariff equivalent)
- **Mid-Mississippi:** \$5.32 per ton
- **Cincinnati:** \$4.69 per ton
- **Illinois River:** \$4.64 per ton
- **Lower Ohio:** \$4.46 per ton
- **St. Louis:** \$3.99 per ton
- **Cairo-Memphis:** \$3.14 per ton

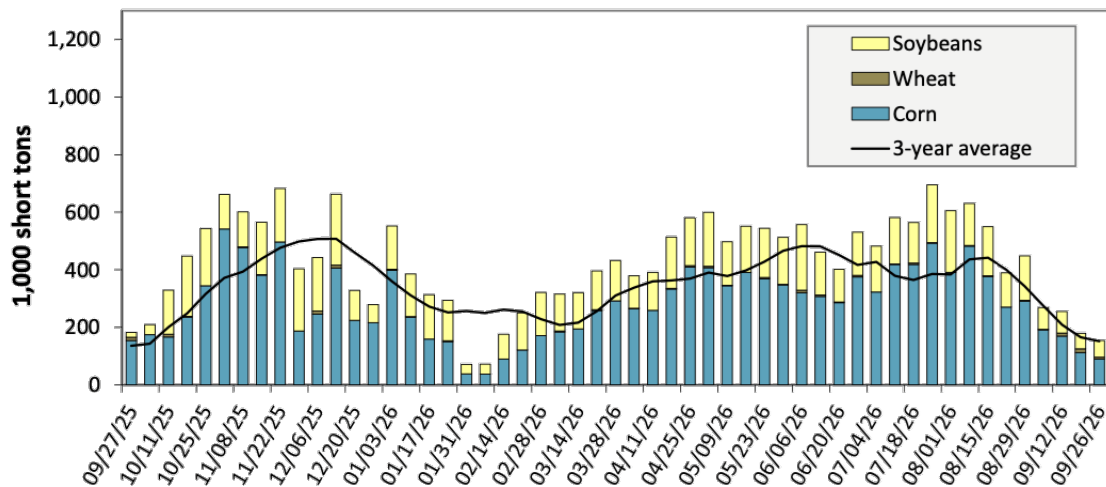
Market Volatility & Drivers: Rates swing wildly based on seasonal harvest pressures (typically peaking in Q3 and Q4), export demand, fuel/diesel costs, and critical physical disruptions like low-water depth restrictions or lock closures. Low water forces barges to "light-load" (carry fewer tons), which spikes per-ton freight rates and widens local crop basis.

How Trading Works

- **Spot vs. Forward Contracts:** Shippers (grain elevators, fertilizer distributors, coal/petroleum companies) trade barge capacity via direct broker negotiations, over-the-counter channels, or short-term spot market commitments.
- **Barge and Tow Configuration:** Trading and logistics revolve around standard jumbo hopper barges (each carrying roughly 1,750 tons of grain) typically lashed together into a **15-barge tow** pushed by a single towboat. A single standard 15-barge tow moves as much cargo as about 1,000 semi-trucks or two 100-car unit trains. [[1](#), [2](#)]
- **Data Tracking:** Public market transparency is maintained weekly and monthly by the [USDA Agricultural Marketing Service \(AMS\) Barge Dashboard](#) and the U.S. Army Corps of Engineers via LPMS and WCS datasets. [[1](#), [2](#)]

Origin / River Region	1976 Base Benchmark Rate (\$/ton)	Primary Commodities Moved	Key Market Drivers of Rate Swings
Twin Cities	\$6.19	Bulk grains & oilseeds	Seasonal ice closures, Q3/Q4 harvest rush, low water
Mid-Mississippi	\$5.32	Grains & agricultural bulk	Lock delays, seasonal crop flows, barge draft limits
Illinois River	\$4.64	Corn, soybeans, industrial goods	Chicago-to-Mississippi connectivity, export demand
St. Louis	\$3.99	Grains, coal, general freight	Confluence point dynamics, spot rate volatility (e.g., \$19.26+/ton averages)
Cairo-Memphis	\$3.14	Lower river transit to Gulf ports	Lower Mississippi draft restrictions, Gulf export volumes

Figure 12. Barge movements on the Mississippi River (Locks 27-Granite City, IL)



Note: The 3-year average is a 4-week moving average.
Source: U.S. Army Corps of Engineers.

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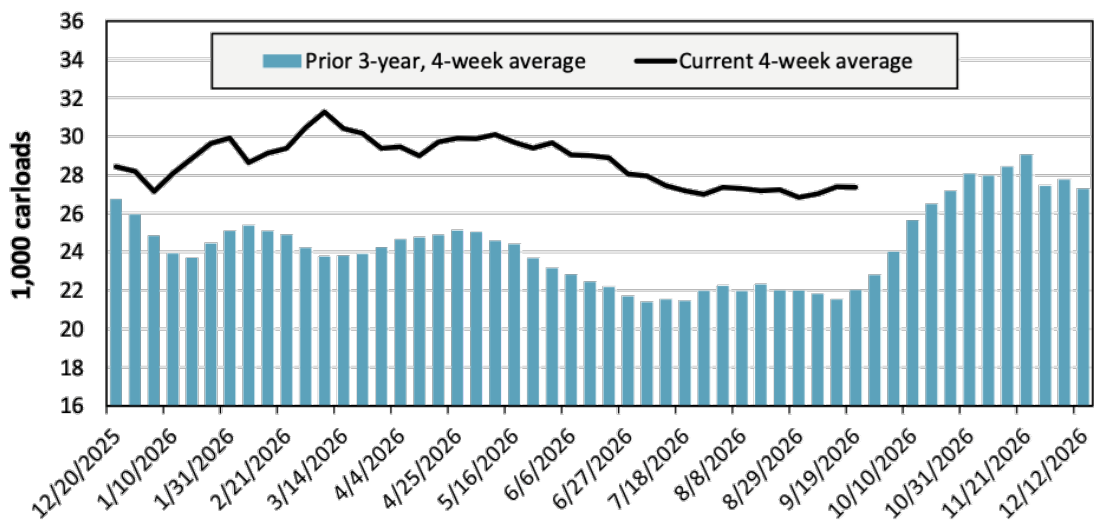
The Mississippi River system remains the backbone of the U.S. agricultural export infrastructure, carrying a significant volume of interior crop supplies via barge fleets to the Center Gulf region. However, seasonal supply chain vulnerabilities present ongoing

operational risks. Low river stages, combined with autumn locks-and-dams maintenance schedules, frequently restrict allowable barge drafts and reduce tow sizes.

When river freight rates spike due to capacity constraints, the inland basis spreads widen dramatically, forcing grain into alternative rail routes or back into local storage, which worsens interior storage pressures.

5.2.1.4 Rail – Export Capacity

Figure 3. Total weekly U.S. Class I railroad grain carloads



Source: Surface Transportation Board.

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The BNSF Railway and Union Pacific (UP) price and trade grain “shuttle train” capacity through a combination of long-term commitments, weekly digital auctions, and market-based tariffs designed to allocate high-volume, dedicated-train logistics.

BNSF and UP Shuttle Train Freight Market as of the 12th of October 2026

BN SHUTTLE	Bid/Ask/Last	Bid/Ask/Last	
Return Trip	200 / -	400 / -	
F/H October	200 / -	400 / -	
MP October	300 / 1000	400 / -	
LH October	300 / 800	400 / 800	
November	- / -	100 / 400	
November, December	200 / 400	75 / 300	
Jan, Feb, Mar 2027	600 / 800	600 / 800	UNC
April May 2027	300 / 400	300 / 400	UNC
April - September 2027	200 / 250	200 / 250	UNC

UP SHUTTLE	Bid/Ask/Last	Bid/Ask/Last	
Return Trip	- / 300	100 / -	
F/H October	- / 400	100 / -	
L/H October	- / -	0 / 300	
L/H October (Mex. Opt.)	- / -	100 / 600	
November	- / 300	- / 300	UNC
December	- / 250	- / 250	UNC
Jan, Feb, Mar	- / 300	- / 300	UNC

How Rail Freight Pricing Works

- **Base Tariffs and Bids:** Standard freight rates are established through published railroad tariffs and rate tables (such as BNSF-90068), combined with base pricing or mileage/revenue fuel surcharges.
- **Auction Premiums:** For dedicated shuttle trains — which move 100+ car blocks from a single origin to a single destination — the railroads allocate a large portion of capacity via competitive bidding.
- **Market-Driven Values:** Auction prices fluctuate sharply based on export demand, crop sizes, global grain futures, and seasonal bottlenecks. For instance, winning bids for BNSF yearlong shuttle contracts have averaged around **\$1.3 million per contract** (translating to hundreds of dollars per car per trip), though prices vary widely depending on whether the trains service domestic processors or Pacific Northwest (PNW) export terminals.

How Trading & Allocation Work

- **Shuttle Programs & Renewals:** Shippers can secure capacity via multi-year or annual commitments (such as Union Pacific’s Long-Term Committed Guaranteed Freight Program or BNSF’s shuttle agreements). [\[1, 2\]](#)
- **Weekly and Quarterly Auctions:** Uncommitted or incremental shuttle capacity is sold via structured auctions held weekly or quarterly. Shippers place bids through the respective railroad’s online customer portal, and winning bidders obtain the right to use designated shuttle sets starting months in advance. [\[1, 2, 3\]](#)
- **Single-Use vs. Term Contracts:** Auctions distinguish between long-term/annual rights, multi-month contracts (like 4-month domestic efficiency trains), and single-use spot allocations. [\[1, 2\]](#)
- **Operational Rules:** Shippers using shuttle trains must meet strict facility infrastructure requirements—such as having loop tracks or clear track lengths of 6,900 to 7,500+ feet, dedicated locomotive storage, and fast loading/unloading rates—to ensure the train turns around rapidly in a continuous cycle. [\[1\]](#)

Feature / Mechanism	BNSF Railway Shuttle Program	Union Pacific (UP) Shuttle Program
Primary Pricing Method	Tariff rates + periodic auction premiums (e.g., year-long or multi-month bids)	Base tariffs + weekly/quarterly auction bids (minimum bid rules apply)
Commitment Lengths	Year-long contracts, multi-month (e.g., 4-month), or weekly spot auctions	Mostly 1-year commitments (occasional 6-month) and weekly single-use auctions
Capacity Allocation	Competitive online auctions held weekly/seasonally	Structured quarterly/annual sign-ups and weekly auction windows
Key Operational Requirement	High-capacity shuttle/loop track facilities (6,900+ ft)	Covered hopper distribution rules and designated grain transload/shuttle yards

6 Geopolitical Dynamics, Trade Policies, and Structural Competition

The long-term distribution and final destination of Midwestern crops are heavily influenced by trade policy and international competition.

The 2026 marketing year continues to operate under structural shifts caused by international tariff negotiations and trade disputes.

International trade policy continues to dictate the final destination and economic value of Midwestern agricultural surpluses, with geopolitical alignments introducing significant volatility.

This aggressive buying behavior is driven by two main factors:

- **Historically Low Prices:** Before the August 2026 run-up in prices, prudent importers were taking advantage of cheap cash values following consecutive record-breaking U.S. crops.

- **Geopolitical Hedging:** International trade participants are deliberately front-loading structural imports to build domestic reserves ahead of potential policy shifts or tariff re-impositions by the administration.

6.1.1 Brazil

U.S. vs. Brazil: Geopolitical Trade Dynamics

Country	Export Strength	Key Geopolitical Advantage
United States	Logistical speed, rail network	Near-term trade agreements (Mexico)
Brazil	Lower per-bushel production costs	Deep trade integration with China

This structural shift is reinforced by **Brazil’s expanding agricultural production**. Brazil's current soybean crop is projected at an unprecedented **186 million metric tons**, complemented by an Argentine crop of 50 million metric tons. Brazil's lower per-bushel production costs and expanded port infrastructure give it a clear competitive advantage in global markets.

The primary risk to South American supply remains weather-related, specifically an active El Niño pattern that threatens yields in Brazil's Center-West growing region. A crop failure there represents the main potential catalyst for a sustained recovery in U.S. export volumes.

Concurrently, macroeconomic factors like the value of the Brazilian real influence trade flows. Fluctuations in the real alter the price competitiveness of South American offers relative to U.S. Gulf and PNW bids.

6.1.2 China

A central factor is the shifting pattern of Chinese procurement. During peak tariff disputes, Chinese state buyers shifted significant portions of their structural import demand away from the United States, cementing long-term supply agreements with South America.

While tentative trade frameworks have stabilized baseline trade volumes, U.S. soybean exporters operate in a market where China looks first to South American suppliers, using U.S. supplies primarily to cover seasonal shortfalls.

6.2 Corn and the Coarse Grains Complex

6.2.1 Corn Supply & Demand Fundamentals – World

Corn World as of October 2026							
Attribute	26/27 Oct'26	Change	26/27 Sep'26	25/26	24/25	23/24	22/23
Area Harvested (1000 HA)	213,706	-90(-.04%)	213,796	214,936	206,660	208,230	202,704
Beginning Stocks (1000 MT)	307,162	+5781(+1.92%)	301,381	295,641	313,822	303,713	313,343
Production (1000 MT)	1,293,750	+2798(+.22%)	1,290,952	1,330,621	1,234,983	1,232,008	1,165,651
MY Imports (1000 MT)	203,376	+270(+.13%)	203,106	198,382	186,553	197,755	173,418
TY Imports (1000 MT)	203,771	-40(-.02%)	203,811	200,252	187,461	199,247	173,246
TY Imp. from U.S. (1000 MT)	0	-	0	0	75,124	58,434	42,659
Total Supply (1000 MT)	1,804,288	+8849(+.49%)	1,795,439	1,824,644	1,735,358	1,733,476	1,652,412
MY Exports (1000 MT)	210,719	+635(+.3%)	210,084	215,957	187,583	192,745	180,393
TY Exports (1000 MT)	211,600	-	211,600	209,336	191,438	197,631	180,663
Feed and Residual (1000 MT)	826,325	-1070(-.13%)	827,395	824,284	785,752	769,763	730,413
FSI Consumption (1000 MT)	486,804	+945(+.19%)	485,859	477,241	466,382	457,146	437,893
Total Consumption (1000 MT)	1,313,129	-125(-.01%)	1,313,254	1,301,525	1,252,134	1,226,909	1,168,306
Ending Stocks (1000 MT)	280,440	+8339(+3.06%)	272,101	307,162	295,641	313,822	303,713
Total Distribution (1000 MT)	1,804,288	+8849(+.49%)	1,795,439	1,824,644	1,735,358	1,733,476	1,652,412
Yield (MT/HA)	6.05	+(+.17%)	6.04	6.19	5.98	5.92	5.75

6.2.2 Grain Sorghum Supply & Demand Fundamentals – World

Sorghum World as of October 2026							
Attribute	26/27 Oct'26	Change	26/27 Sep'26	25/26	24/25	23/24	22/23
Area Harvested (1000 HA)	40,157	-150(-.37%)	40,307	39,760	39,476	39,238	40,368
Beginning Stocks (1000 MT)	3,920	-45(-1.13%)	3,965	4,686	3,939	4,011	4,248
Production (1000 MT)	60,191	-369(-.61%)	60,560	63,074	62,575	58,768	57,073
MY Imports (1000 MT)	7,710	+84(+1.1%)	7,626	9,269	7,576	9,495	6,193
TY Imports (1000 MT)	7,709	+84(+1.1%)	7,625	9,169	7,794	9,492	6,133
TY Imp. from U.S. (1000 MT)	0	-	0	0	2,278	5,887	2,891
Total Supply (1000 MT)	71,821	-330(-.46%)	72,151	77,029	74,090	72,274	67,514
MY Exports (1000 MT)	8,637	+101(+1.18%)	8,536	9,746	6,894	9,870	6,246
TY Exports (1000 MT)	8,373	+101(+1.22%)	8,272	9,705	6,674	9,602	6,821
Feed and Residual (1000 MT)	23,378	-521(-2.18%)	23,899	26,521	26,025	24,103	20,620
FSI Consumption (1000 MT)	36,367	-	36,367	36,842	36,485	34,362	36,637
Total Consumption (1000 MT)	59,745	-521(-.86%)	60,266	63,363	62,510	58,465	57,257
Ending Stocks (1000 MT)	3,439	+90(+2.69%)	3,349	3,920	4,686	3,939	4,011
Total Distribution (1000 MT)	71,821	-330(-.46%)	72,151	77,029	74,090	72,274	67,514
Yield (MT/HA)	1.50	-	1.50	1.59	1.59	1.50	1.41

While the United States deals with internal surpluses, international supply adjustments are partially offsetting the bearish domestic outlook. The October WASDE report cut European Union corn production estimates down from 50.6 million metric tons to **48.0 million metric tons** due to unfavorable weather.

Additionally, Mexico's domestic production targets were trimmed slightly. These global deficits open critical commercial windows for U.S. corn exports, allowing American grain to effectively penetrate non-traditional markets across Europe and maintain its structural position as the primary supplier to Latin America.

6.3 Soybeans and the Oilseed Complex

Shifting Soybean Commitments and the China Factor

A defining feature of the early 2026–27 marketing year is the dramatic surge in forward export sales for oilseeds. U.S. soybean export commitments are up an astonishing **80% compared to the same period in the prior year**, driven primarily by a concentrated wave of procurement from Chinese state and private buyers.

6.3.1 Soybean Supply & Demand Fundamentals – World and United States

Oilseed, Soybean World as of October 2026							
Attribute	26/27 Oct'26	Change	26/27 Sep'26	25/26	24/25	23/24	22/23
Area Harvested (1000 HA)	146,419	-40(-.03%)	146,459	142,729	146,128	140,658	137,225
Beginning Stocks (1000 MT)	124,927	-340(-.27%)	125,267	125,965	115,096	101,838	93,698
Production (1000 MT)	442,700	+355(+.08%)	442,345	429,185	428,112	396,448	378,210
MY Imports (1000 MT)	190,823	+400(+.21%)	190,423	188,527	179,145	178,499	168,501
Total Supply (1000 MT)	758,450	+415(+.05%)	758,035	743,677	722,353	676,785	640,409
MY Exports (1000 MT)	191,995	+417(+.22%)	191,578	186,423	184,330	177,845	171,761
Crush (1000 MT)	385,714	+490(+.13%)	385,224	375,838	359,161	331,245	315,767
Food Use Dom. Cons. (1000 MT)	25,923	-60(-.23%)	25,983	25,826	24,597	23,842	22,858
Feed Waste Dom. Cons. (1000 MT)	30,540	-695(-2.23%)	31,235	30,663	28,300	28,757	28,185
Total Dom. Cons. (1000 MT)	442,177	-265(-.06%)	442,442	432,327	412,058	383,844	366,810
Ending Stocks (1000 MT)	124,278	+263(+.21%)	124,015	124,927	125,965	115,096	101,838
Total Distribution (1000 MT)	758,450	+415(+.05%)	758,035	743,677	722,353	676,785	640,409
Yield (MT/HA)	3.02	-	3.02	3.01	2.93	2.82	2.76

7 Enterprise Profitability Projections and Sector Credit Conditions

While the 2026–27 marketing year represents an extraordinary agronomic triumph, it presents a severe financial challenge for primary producers, characterized by structural margin compression and capital erosion.

It would be suggested that the fundamental downside of a 16 bbus corn crop and a 4.5 bbus soybean crop is the erosion of market prices below the average cost of production.

7.1 Farm Financial Performance and Profitability Projections

The combination of high yields and falling commodity prices has put financial pressure on Midwestern cash grain operations. The USDA season-average farm price projections—**\$4.70/bu for corn** and **\$12.00/bu for soybeans**—must be evaluated against current crop production budgets.

2026/27 Midwest Cash Grain Estimated Cost/Revenue Per Acre

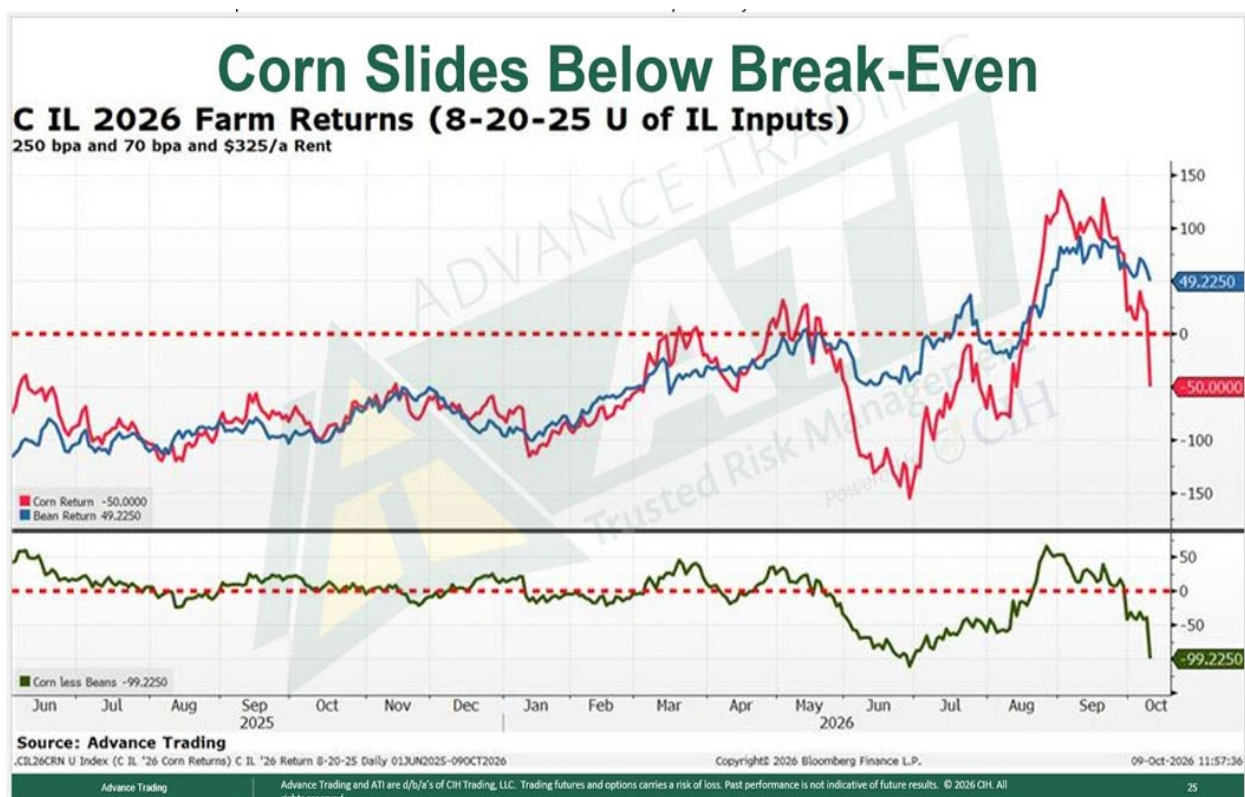
Crop	Avg. Yield	Projected Price	Gross Revenue	Est. Cost*	Net Return
Corn	181.2 bpa	\$4.70 / bu	\$851.64	\$885.00	-\$33.36
Soybeans	53.1 bpa	\$12.00 / bu	\$637.20	\$620.00	+\$17.20

*Includes variable inputs, machinery depreciation, and cash rent equivalent.

For **corn**, an average yield of 181.2 bushels at \$4.70 generates a gross economic return of approximately **\$851.64 per acre**. Across much of the Midwest, total economic costs of production—including synthetic nitrogen fertilizers, seed technology fees, machinery depreciation, and high cash rents—average **\$860.00 to \$910.00 per acre**. This leaves typical corn operations facing net economic losses of **\$10.00 to \$50.00 per acre**, operating below full economic cost recovery.

For **soybeans**, the financial outlook is closer to break-even. A record yield of 53.1 bushels at \$12.00 generates a gross return of **\$637.20 per acre**. With total production costs averaging **\$600.00 to \$635.00 per acre**, producers are capturing thin positive margins ranging from **\$2.00 to \$35.00 per acre**.

This narrow profitability underscores the importance of the domestic biofuels sector in supporting demand. It also highlights the financial risks facing producers as they navigate rising interest rates on operating notes and elevated input costs for the upcoming 2027 planting cycle.



Estimated Per-Bushel Enterprise Return Profiles (Midwest Average)
 Source: Advance Trading Inc., Bloomington, Illinois, 12th October 2026

The recent sharp drop in cash and CME corn prices of over 20 cents/bu following the 9th of October 2026 USDA WASDE Report may likely see the farmer become a tighter holder of corn than previously expected.

With the season-average farm price for corn dropping to **\$4.70 per bushel**, a significant share of Midwestern operators are facing negative net margins.

While input components such as fertilizer and wholesale fuel have moderated slightly from historical peaks, fixed expenses remain high. Cash rents, seed technology fees, equipment depreciation, and interest expenses on short-term operating notes remain high, keeping economic breakeven targets near \$5.10 per bushel for corn. Consequently, operators are sustaining an estimated **net loss of \$0.40 per bushel on corn production**, which is only partially offset by razor-thin margins on soybean operations.

Agricultural Banking and Credit Stress

This widespread margin compression is causing noticeable shifts in the agricultural credit sector. Data monitored by the Federal Reserve Bank of Chicago shows a steady rise in operating loan demand as farmers look to cover cash shortfalls.^x

Concurrently, repayment rates on agricultural loans have slowed, prompting ag lenders to tighten credit standards and require higher collateral commitments for 2027 production cycles. While land values have shown resilience due to strong balance sheets built during the lucrative 2021–2023 period, continued negative cash returns in late 2026 are expected to put downward pressure on cash rents and farmland values heading into the next year.

7.2 Post-Farm Gate Financial Performance and Profitability Projections

For the **2026–27 marketing year**, the profit/loss dynamics across the U.S. grain sector reveal a stark divergence from the farm level through the post-farm gate supply chain. While American farmers face deep, multi-billion-dollar losses due to low commodity prices and high inputs, downstream commercial entities—**Country Elevators, Supply Chain Operators**, and **First-Stage Processors** are leveraging large crop volumes and favorable market structures to capture improving profit margins.

7.2.1 Country Elevators

The profit outlook for country elevators is **solid to positive**, primarily driven by market structure rather than outright grain prices.

- **Storage and Carry Profits:** High national yields have created massive grain inventories. According to [CoBank's Grain Elevator Outlook](#), this oversupply is widening futures spreads (market carry) and weakening the buy basis in cash markets. This market setup directly improves elevator profitability by rewarding operators for storing grain long-term.

- **Crop Specifics:** Wheat and corn storage margins are robust. However, elevators face minor risks with soybeans; slow global exports have forced longer holding periods, meaning elevators may have to narrow their harvest basis to entice farmers to sell rather than store on-farm.
- **Infrastructure Limits:** Elevated steel and aluminum tariffs have raised grain bin construction costs by up to 33%, discouraging elevators from expanding physical footprints and forcing high utilization of existing space.

7.2.2 Supply Chain Operators

Logistics providers, freight haulers, and Class I railroads are seeing **highly resilient, volume-driven profitability**.

- **High Shipment Volumetry:** Shifting global demand and large domestic harvests mean high traffic. Companies like [CN Rail](#) are executing robust grain plans, projecting up to 33 million metric tonnes of grain and processed products shipped for the 2026–27 crop year.
- **The Margin Squeeze:** While revenue is protected by sheer volume, net profit margins face pressure from operational challenges. Elevated diesel costs and ongoing structural vulnerabilities in domestic waterways (e.g., river flow delays from high/low water cycles) dictate that efficiency determines the final bottom line.

7.2.3 First-Stage Processors (Crushers & Biofuel Refiners)

First-stage processors are experiencing **expanding profit margins**, capitalizing on cheap feedstocks and strong legislative tailwinds.

- **Biofuels Boost:** Ethanol and renewable diesel refiners benefit from a clearer long-term outlook. The EPA finalized the Renewable Volume Obligations (RVOs) for 2026 and 2027 at the highest levels in the program's history. This mandate forces substantial blending, securing consistent domestic demand for first-stage corn and soybean processing facilities despite macro headwinds like a strengthening U.S. dollar.
- **Soybean Crushers:** Soybean processors are a bright spot in the agribusiness landscape. Surging soybean oil prices and expanding domestic demand have significantly enhanced soy crush margins.

8 Federal Reserve Bank's Impact on Commodity Markets

The U.S. Federal Reserve Bank (FRB) can refer to two main things: the Federal Reserve Board (the central governing body based in Washington, D.C.) or one of the 12 regional Federal Reserve Banks scattered across the United States (such as the Federal Reserve Bank of Kansas City, which serves Manhattan, Kansas).

The Federal Reserve System acts as the central bank of the United States, established in 1913 by the Federal Reserve Act.

8.1 The U.S. Federal Reserve Bank's (FRB) Dual Mandate

The primary objectives of the **U.S. Federal Reserve Board (FRB)** are legally defined by a congressional mandate often referred to as the **Dual Mandate**.

The Dual Mandate & Core Responsibilities

1. Maximum Employment:

- Targeting the highest level of employment the economy can sustain without triggering inflation.
- Monitoring structural, cyclical, and frictional unemployment rates.

2. Price Stability:

- Maintaining a long-run **inflation target of 2%** (measured by the Personal Consumption Expenditures price index).
- Preserving the purchasing power of the U.S. Dollar.
- **Moderate Long-Term Interest Rates:**
 - Fulfilling this third, implicit objective by successfully balancing employment and price stability.

Systemic Objectives

Beyond monetary policy, the Federal Reserve serves as the foundational backbone of the U.S. financial architecture to ensure broader structural stability:

- **Financial System Stability:** Minimizing systemic risk and preventing financial crises through market liquidity support.

- **Supervision and Regulation:** Overseeing banking institutions to protect consumers and ensure the safety and soundness of the banking system.
- **Payment System Efficiency:** Operating and maintaining the nation's cash, check, and electronic clearinghouse settlement systems.

8.2 Impact on Commodity Markets When the U.S. Federal Reserve Bank Changes Interest Rates

Changes, or the anticipation of change, in the **U.S. Federal Reserve Bank's (FRB)** federal funds interest rates ripple immediately through international trade and agricultural commodity markets. The impact is immediately observed in the changes in foreign exchange rates, a corresponding change in a currency's relative purchasing power, and an adjustment in global liquidity.

Macro-Economic Dynamics of Fed Rate Adjustments

Economic Metric	Impact of Fed Rate Hikes (Tightening)	Impact of Fed Rate Cuts (Easing)
Value of the US Dollar	Strengthens (Appreciates) <ul style="list-style-type: none"> • Higher yields attract foreign yield-seeking capital. • Increases global demand for USD-denominated assets. 	Weakens (Depreciates) <ul style="list-style-type: none"> • Lower yield spreads prompt capital outflows. • Reduces global demand for the greenback.
Foreign Exchange (FX) Rates	USD Appreciates vs. Foreign Currencies <ul style="list-style-type: none"> • The exchange rate shifts; foreign currencies buy fewer dollars. 	USD Depreciates vs. Foreign Currencies <ul style="list-style-type: none"> • Foreign currencies strengthen relative to the dollar.
U.S. Export Competitiveness	Decreases <ul style="list-style-type: none"> • American commodities become more expensive for international buyers. 	Increases <ul style="list-style-type: none"> • American products become cheaper and more attractive abroad.

	Increases	Decreases
U.S. Import Competitiveness	<ul style="list-style-type: none"> • Foreign goods become cheaper for U.S. buyers, widening the trade deficit. 	<ul style="list-style-type: none"> • Imported goods and raw materials become more expensive domestically.

When the Fed **raises interest rates**, it strengthens the U.S. Dollar (USD) but weakens U.S. export competitiveness and improves U.S. purchasing power for imports.

Conversely, when the Fed **lowers interest rates**, it weakens the U.S. Dollar (USD) but improves U.S. export competitiveness and weakens the U.S. purchasing power for imports.

Specific Impacts on Commodity Trade and Competitive Flows

Historically, there is a strong **inverse correlation** between the **U.S. Dollar Index (DXY)** and global agricultural commodity prices like **wheat, corn, and soybeans**.

When the DXY spikes due to sudden Federal Reserve rate hikes, commodity prices almost always face severe downward pressure. Conversely, a plunging DXY acts as a powerful tailwind for agricultural bull markets.

8.2.1 Devaluation of Importer's Currency vs. U.S. Export Competitiveness

When the Fed raises interest rates, it triggers capital flight from emerging markets and developing importing countries back to the United States. This forces a devaluation of the importer's currency relative to the USD.

The Squeeze on Purchasing Power: Because global agricultural commodities (such as corn, soybeans, and wheat) are priced natively in USD, a weaker local currency means importers must spend significantly more of their domestic currency to purchase the same volume of U.S. grain.

Destruction of Demand: This effectively erodes the competitiveness of U.S. exports against other exporting nations whose currencies may not be tied to the dollar, driving importing nations to seek alternatives or ration demand.

8.2.2 Devaluation of Competing Exporters' Currencies

A rising U.S. interest rate environment often causes the currencies of major competing agricultural exporters (e.g., the Brazilian Real, Argentine Peso, or Russian Ruble) to devalue sharply against the USD.

The Competitor Advantage: When a competitor's currency devalues, their domestic production costs (often paid in local currency) decrease compared to the global USD selling price. This expands the profit margins of foreign farmers in local currency terms, incentivizing them to expand acreage.

Displacement in Importing Markets: These competing countries can aggressively undercut U.S. price offers in destination markets (like China, Egypt, or Southeast Asia). The structural devaluations amplify their competitive edge, allowing them to capture global market share at the direct expense of Midwestern U.S. producers.

As you prepare your analysis on trade flows, would you like to explore **how specific commodity prices (like corn or soybeans)** historically react to sudden shifts in the **U.S. Dollar Index (DXY)**, or look at **hedging strategies** farmers use to mitigate FX risk?

The Inverse Relationship Matrix

DXY Shift	Direct Impact on Corn & Soybeans	Primary Economic Drivers
Sudden DXY Surge <i>(Dollar Strengthens)</i>	Prices Drop (Bearish)	<ul style="list-style-type: none">• Global purchasing power declines.• Non-U.S. buyers face higher localized costs.• Competitors undercut U.S. export offers.
Sudden DXY Plunge <i>(Dollar Weakens)</i>	Prices Rise (Bullish)	<ul style="list-style-type: none">• U.S. commodities become cheap globally.• International demand surges.• Commodities act as a hedge against inflation.

8.2.3 The 3 Core Mechanics Driving the Reactivity

The "Denominator Effect": Because a bushel of corn or soybeans is globally priced in U.S. Dollars, the dollar is the denominator of the price fraction ($\text{Price} = \text{Commodity Value} / \text{USD}$). If the denominator (USD) gets larger/stronger, it mathematically requires fewer dollars to purchase the same physical bushel of grain, pulling the nominal price down.

The Brazilian Real Arbitrage: Brazil is the primary global competitor to U.S. soybean and corn exports. When the DXY surges, the Brazilian Real (BRL) usually devalues sharply against the dollar. This means Brazilian farmers receive a massive premium in *local currency* for their crops while being able to offer a lower *USD-equivalent price* to international buyers like China, instantly eroding U.S. export market share.

Speculative Capital Flows: Managed money (hedge funds and institutional commodity index funds) treats the U.S. Dollar Index (DXY) as a primary macro trigger. When the DXY turns strongly bullish, algorithms and fund managers automatically liquidate "long" positions in grains and rotate capital into cash or fixed-income assets, resulting in sharp technical selloffs in the Chicago Board of Trade (CBOT) futures pits.

Historical Case Studies: U.S. Dollar Index Shifts vs. Ag Commodities

The relationship between the dollar and grains is rarely abstract. Its impact is immediate as the dynamics play out across commodity markets and throughout macroeconomic cycles:

1. The Post-Pandemic Tightening Cycle (2022)

- **The Catalyst:** In response to surging domestic inflation, the Federal Reserve initiated one of its most aggressive interest rate hiking cycles in history.
- **The DXY Reaction:** The DXY skyrocketed, breaking **above 114** in late 2022, its highest level in two decades.
- **The Commodity Impact:** While supply disruptions from the Russia-Ukraine war initially spiked grain prices, the surging dollar rapidly choked off international demand for U.S. crops. By late 2022 and into 2023, as the strong dollar took hold, global buyers aggressively shifted their purchasing to Brazil, causing U.S. corn and soybean prices to sharply retreat from their multi-year peaks.

2. The Quantitative Easing Era (2009–2011)

- **The Catalyst:** Following the 2008 Financial Crisis, the Fed slashed interest rates to near-zero and launched massive Quantitative Easing (QE) programs.
- **The DXY Reaction:** Floodwaters of cheap dollars entering the global financial system caused the DXY to crater, dropping to the **high 60s and low 70s**.
- **The Commodity Impact:** A weak dollar triggered a massive global commodity super-cycle. Soybeans climbed toward historical highs near **\$16–\$17 per bushel**, and corn pushed toward **\$7–\$8 per bushel**. Because the dollar was so cheap, foreign buyers (especially a rapidly growing China) had immense purchasing power, devouring U.S. supplies.

8.3 How does an increase in U.S. FRB actions result in the U.S. "exporting its inflation problem..."?

The phrase "**exporting its inflation problem**" refers to an economic dynamic where the U.S. Federal Reserve's aggressive monetary tightening to fight domestic inflation unintentionally forces foreign nations to absorb higher prices.

When the Fed responds to high domestic inflation by raising interest rates, it triggers a chain reaction that transmits inflationary pressures directly into foreign economies. This happens through three main channels:

8.3.1 The Strong Dollar Channel (Invoiced Pricing)

As the Fed raises interest rates, global capital floods into the United States seeking higher yields. This rapidly appreciates the **U.S. Dollar Index (DXY)** against foreign currencies.

The U.S. Dollar as the Global Reserve and Invoicing Currency: Over 70% to 80% of global trade — including crucial commodities like crude oil, wheat, corn, soybeans, and industrial metals — is invoiced strictly in USD.

The Transmitted Effect: When a foreign country's currency depreciates against a surging dollar, it must spend vastly more of its own local currency to buy the same amount of essential goods.

For example, even if the price of oil remains "steady" in USD, if a country like Japan or the UK sees a sharp drop in its local currency against the USD, this causes a surge in local energy prices as its local currency buys fewer dollars.

8.3.2 The U.S. Export Price Pressures

When domestic supply disruptions, input and wage increases, or an expansion of USD money supply causes inflation inside the United States, American companies pass these elevated production costs onto international buyers.

The Double Whammy: Because U.S. exporters price their goods in dollars, foreign buyers face a combination of higher baseline prices from the U.S. manufacturer coupled with a more expensive dollar to execute the trade. This drastically drives up the cost of importing American equipment, technology, and food products into foreign economies.

8.3.3 Forcing Foreign Central Banks into Defensive Rate Hikes

To stop their currencies from collapsing and to curb the incoming "imported inflation," foreign central banks are cornered into a reactive posture. [1, 2]

The Forced Tightening: Central banks in Europe, Latin America, and Asia are forced to raise their own domestic interest rates aggressively to match the Fed, protect their currency value, and halt capital flight.

The Economic Squeeze: By forcing these nations to mimic U.S. tightening, the Fed effectively slows down economic growth worldwide, shifting the burden of the U.S. inflation crisis onto foreign consumers and businesses.

9 Strategic Outlook and Institutional Conclusions

The 2026–27 marketing year highlights a structural paradox in modern American agriculture: exceptional productivity that results in financial strain for producers. The combination of high yields and stagnant grain storage capacity has shifted the economic burden from agronomic risk to logistical execution and financial management.

For the Midwest economy, this transition means that regional profitability will depend heavily on the performance of the logistics network. Minimizing regional basis damage requires keeping rail corridors clear, maintaining steady river freight movement, and avoiding severe weather disruptions.

Over the long term, the agricultural sector must address structural bottlenecks by reinvesting in commercial and on-farm storage assets or adjust to an environment where localized crop gluts become a recurring challenge for farm income and credit stability.

End Notes

Written by Guy H. Allen, Senior Economist – International Grains Program, Kansas State University, utilizing USDA ERS, FAS, NASS, and other USDA Reports, with assistance from Google AI online resources, retrieved from the 9th to the 14th of October 2026.

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