

HOW THE FUTURES CURVE PRICES STORAGE

What spreads say about when the system
should move grain.



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About This Series

Inside the Soybean System is a research series from AGFLOW Intelligence designed to help commercial operators understand how structure, flow, ownership, and transmission drive market behavior.

AGFLOW Intelligence provides market governance and decision-support research for merchandisers, elevators, processors, traders, and agricultural businesses.

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How the Futures Curve Prices Storage

What Spreads Say About When the System Should Move Grain.

Issue 03 belongs to the Price Formation & Market Structure module. Its purpose is narrow: explain how the futures curve prices time and what calendar spreads say about whether the soybean system has an economic incentive to retain inventory or move it toward demand.

Flat price tells you the level. The futures curve tells you the price of time.

1 — THE QUESTION

Suppose November soybean futures trade at \$12.40 and January futures at \$12.55.

January is 15 cents higher.

It is tempting to conclude:

“The market is telling me soybeans will be worth 15 cents more in January.”

That is not what the futures curve means.

The 15-cent difference is the current relative price of two delivery periods. It reflects how the market values soybeans available later versus soybeans available sooner.

The commercial question is therefore not:

Will soybean prices be higher later?

It is:

How much is the market paying the system to carry soybeans through time?

That distinction matters because grain does not remain available for future consumption automatically.

Someone must own it.

Someone must finance it.

Someone must store it.

And someone must accept the risk of continuing to hold it rather than moving it into the market today.

The futures curve helps coordinate that decision across the soybean system.

2 — THE MECHANISM

A futures curve is the sequence of prices across delivery months.

ILLUSTRATIVE EXAMPLE — NOT CURRENT MARKET DATA

Contract	Futures price
November	\$12.40
January	\$12.55
March	\$12.65

January trades 15¢ above November. March trades 25¢ above November. Those relationships are calendar spreads.

AGFLOW CARRY CONVENTION Deferred futures – Nearby futures

So: $\$12.55 - \$12.40 = +15\text{¢}$ of November–January carry.

Spread quotation convention

Many traders and market screens quote spreads in the opposite direction. A November/January spread might therefore appear as $\text{November} - \text{January} = -15\text{¢}$. That describes the same market structure.

Positive AgFlow carry means deferred futures are above nearby futures.

Carry

When deferred futures trade above nearby futures, the curve contains carry.

If $\text{January} > \text{November}$, the market is assigning more futures value to delivery later than to delivery now.

That does not automatically mean storing soybeans is profitable. But it does mean the futures structure is offering compensation for deferred ownership.

Economically, carry creates an incentive for part of the system to hold inventory for future use rather than move all available grain immediately.

Inversion

ILLUSTRATIVE EXAMPLE — NOT CURRENT MARKET DATA

INVERTED STRUCTURE
November \$12.70 > January \$12.55

Nearby futures now trade 15 cents above deferred futures. The curve is inverted.

At the current structure, the futures market is no longer paying a premium for deferred ownership. Nearby availability commands the higher price.

The market is placing greater value on soybeans available now than on soybeans available later.

Issue 10 will examine inversions in detail. For Issue 03, the important point is simply that carry provides compensation for deferred ownership, while inversion removes that futures-market incentive.

The curve is not a price forecast

This is one of the most important distinctions in grain merchandising.

If November trades at \$12.40 and January at \$12.55, the curve is not necessarily forecasting that soybeans will be worth \$12.55 when January arrives.

By then, the entire price structure may have changed. Both contracts could rally. Both could decline. The spread could widen or narrow.

What the curve tells us today is not where flat price must go. It tells us how the market currently values delivery through time.

PRICE LEVEL	MARKET STRUCTURE
Where futures are trading.	How the market is pricing time between delivery periods.

3 — THE EVIDENCE

A useful way to interpret carry is to compare the observed calendar spread with a theoretical carrying benchmark. This is the idea behind percent of full carry.

Full carry

Full carry is the theoretical futures spread associated with financing and storing deliverable inventory between contract delivery periods, subject to the relevant futures delivery and storage economics.

PERCENT OF FULL CARRY

Observed futures spread ÷ Theoretical futures carrying charge

ILLUSTRATIVE EXAMPLE — NOT CURRENT MARKET DATA

- November–January futures carry = 15¢
- Theoretical futures carrying charge = 18¢

CALCULATION

15 ÷ 18 = 83% of full carry

The market is expressing approximately 83% of the theoretical carrying charge between those contract periods.

That is useful because a spread should not be evaluated only by asking whether it is positive or negative. A 3-cent carry and a 15-cent carry may both place deferred futures above nearby futures, but they do not provide the same storage signal.

Percent of full carry gives the spread a common economic benchmark.

What the benchmark does — and does not — tell us

Percent of full carry is a futures-market structure measure.

It does not tell an individual producer or commercial firm that storage is automatically profitable.

Actual ownership economics may also depend on:

- local storage cost
- financing terms
- handling
- shrink or quality exposure
- freight
- basis
- other firm-specific costs

Those questions belong more fully to the later Storage, Carry & Inventory module of the series, including When Is Carry Actually Worth Capturing?, The Real Cost of Storing Soybeans, and The Commercial Decision to Store or Sell.

The futures spread tells us how strongly the market is compensating inventory ownership through time.

Time must be part of the interpretation

A spread should also be understood relative to the period it spans.

A 15-cent carry across a short ownership period is economically different from the same 15-cent spread across a much longer period.

Contract-month labels are therefore only shorthand.

The market is not just pricing cents per bushel. It is pricing:

cents per bushel through time

That is what makes the curve a storage signal rather than merely a collection of contract prices.

4 — THE TRANSMISSION

The futures curve matters because it changes the economics facing the firms and producers who control physical inventory.

Consider a harvest period in which soybean supply is abundant relative to immediate demand.

If all grain moved into consumption at once, the system could become overloaded while later demand would still require supply. A carrying structure helps distribute that grain through time.



The curve is therefore doing more than reflecting price differences. It is helping coordinate inventory timing.

When the storage signal weakens

Now consider the opposite situation. Nearby users—processors, exporters, elevators or other buyers—place greater value on immediately available soybeans.

The premium for deferred ownership can narrow. If nearby demand becomes sufficiently strong relative to available supply, the futures curve may eventually invert.



The futures curve therefore acts as a temporal allocation mechanism.

Should the system move this grain now, or preserve some of it for later?

Basis and the curve answer different questions

This is where Issue 03 connects directly to Issue 02.

BASIS	FUTURES CURVE
prices location.	prices time.

The two signals are related but not interchangeable.

The Chicago futures curve may show carry while a local processor is bidding aggressively for immediate supply. Likewise, a local area may have weak basis even while Chicago provides only modest carry.

That is why the futures curve cannot explain the entire cash market. Its role is narrower and more precise:

The curve tells us how the market is valuing time between delivery periods.

The physical market then determines how that time signal interacts with local demand and local availability.

5 — THE DECISION RULE

The series is designed to move readers away from simply asking “what happened?” and toward “what is the market paying the system to do?”

For the futures curve, the decision rule is straightforward.

First, identify the structure

Is the market carrying inventory or placing a premium on nearby supply?

Second, measure the strength of the signal

Do not stop at the number of cents in the spread. Compare the observed spread with the appropriate carrying benchmark.

Third, interpret the commercial message

A wider carrying structure generally means the market is offering more compensation for deferred ownership. A narrowing carrying structure means that compensation is being withdrawn. An inversion means nearby availability commands the higher futures value.

Fourth, do not confuse the signal with the final storage decision

A futures curve can show carry without making storage profitable for a specific producer or commercial firm. The final decision still depends on the economics of ownership and the physical cash market. Those detailed calculations belong later in the series.

Read the futures curve as the market’s price for time—not as a forecast of future flat price and not as an automatic instruction to store.

THE AGFLOW TAKEAWAY

The futures curve reveals something flat price alone cannot:

the economic value of time

When deferred futures trade above nearby futures, the market is offering compensation for deferred availability.

When that compensation weakens, the incentive to retain inventory weakens with it.

When the curve inverts, nearby supply commands the premium.

That gives the soybean system a mechanism for allocating grain not only across locations, but across time.

Flat price

price level

Basis

price of location

Futures curve

price of time

And the central question is:

What is the market paying the system to do with inventory today?

That is what the futures curve adds to soybean price discovery.

It tells us not merely what soybeans are worth.

It tells us how the market currently values soybean availability across time.

Continue Reading the Soybean System

If you found this report valuable, receive the weekly free AGFLOW Soybean Market Signal.

Every week, AGFLOW tracks:

- Balance sheet structure
- Export flow
- Crush transmission
- Basis behavior
- Carry economics
- Inventory ownership
- Futures structure
- Positioning dynamics

The objective is not to forecast prices.

The objective is to understand market condition before price fully reflects it.

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About the Author

Leo Rocha

**Founder & Head of Research
AGFLOW Intelligence**

Leo Rocha is the creator of the AGFLOW Intelligence framework, a governance-based approach to analyzing the soybean market as an interconnected transmission system rather than a collection of isolated indicators.

His research focuses on market structure, physical flow, inventory ownership, basis transmission, carry economics, positioning, and commercial decision-making. Through AGFLOW Intelligence, he develops institutional-grade analytical frameworks that help commercial operators interpret market conditions with greater clarity and discipline.

Rather than forecasting prices, his work focuses on identifying structural conditions, validating confirmation, and determining when commercial escalation is authorized through objective, rules-based governance.

About AGFLOW Intelligence

AGFLOW Intelligence is a market governance and decision-support platform focused on the global soybean complex.

The platform analyzes the soybean market through a structured framework that integrates:

- Balance sheet structure
- Export flow validation
- Crush transmission
- Basis transmission
- Carry economics
- Ownership and inventory control
- Futures structure
- Positioning dynamics
- Global supply and demand transmission

The objective is not to predict markets.

The objective is to determine:

- Whether tightening is real
- Whether confirmation exists
- Whether escalation is authorized
- Whether structure and flow are aligned
- Whether commercial risk is increasing or decreasing

Because better decisions begin with better market interpretation.

Connect

Leo Rocha

Founder & Head of Research
AGFLOW Intelligence

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Website: www.agflowintelligence.com

LinkedIn: [linkedin.com/in/leonardo-rocha-a4417229](https://www.linkedin.com/in/leonardo-rocha-a4417229)

Email: hello@agflowintelligence.com

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Market Governance for Commercial Decisions



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