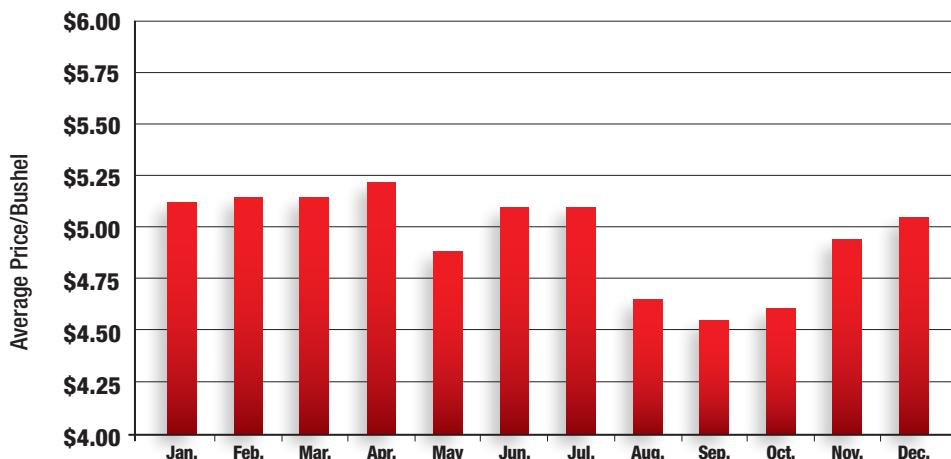


YOUR PROFIT

By Al Kluis

Seasonal Corn Prices Five-Year Monthly Average



SEASONAL PRICE PATTERNS WORK AGAIN THIS SELLING CONCEPT WORKED WELL IN 2015 AND 2016. WILL IT REPEAT IN 2017?

I began working with charts of seasonal odds over 40 years ago. Back in the 1970s, it was a time-consuming process. To start with, I had the historic closing price data in workbooks. I then wrote the data by hand in columns using an old accounting worksheet I kept in special three-ring binders. Next, I would take the data and draw it onto my large hand-drawn charts. It was a lot of work! But it was worth it. The seasonal odds showed that selling during the growing season really worked. This gave me the confidence to make cash corn and soybean sales – and place new crop hedges – from early April through the end of June. I updated these seasonal odds tables and charts each year.

In 1986, I got a new computer that I mainly used for writing, using a then-new program called Word Perfect. The computer also had a spanking new spreadsheet program, Lotus 1-2-3. Those were steep learning curves, but the results were amazing. I saw all of the ways I could begin crunching numbers once the data was entered.

For example, what if I looked for patterns every five years? Ten years? What about comparing even years to odd years? What used to take hours now only took a few minutes, and I became a Lotus expert.

In the early 1990s, I got another computer, this time with Excel for spreadsheets. The learning curve was easier, the results faster, and it made charts! Now I could download

the price data from several USDA databases and do all kinds of different studies. I still put results on my long-term hand-drawn charts, but now that is just part of the story.

Today, the computers and software are better, and grain prices are higher (and make bigger moves with more volatility). But the seasonal odds charts still look very similar to the ones I built by hand 40

I use my charts to establish a series of targets that I call into the elevators to make incremental 10% or 20% sales.

This is the seasonal odds chart of the nearby CBOT corn futures market. You can see how selling ahead between April and late June has usually been the right decision. It also shows that prices usually bottom in August through October. In the last three years, this concept has worked great as a good time period to make cash sales and to place new crop hedges.

years ago because seasons are still seasons.

(Note: The huge increase in South American soybean production has made a slight change in the soybean seasonal price pattern.)

USING SEASONAL ODDS

When I put together a master market plan, I always start by making a price plan. I use my charts to establish a series of targets that I call into the elevators to make incremental 10% or 20% sales. In years when prices rally up and through my price targets, this works great.

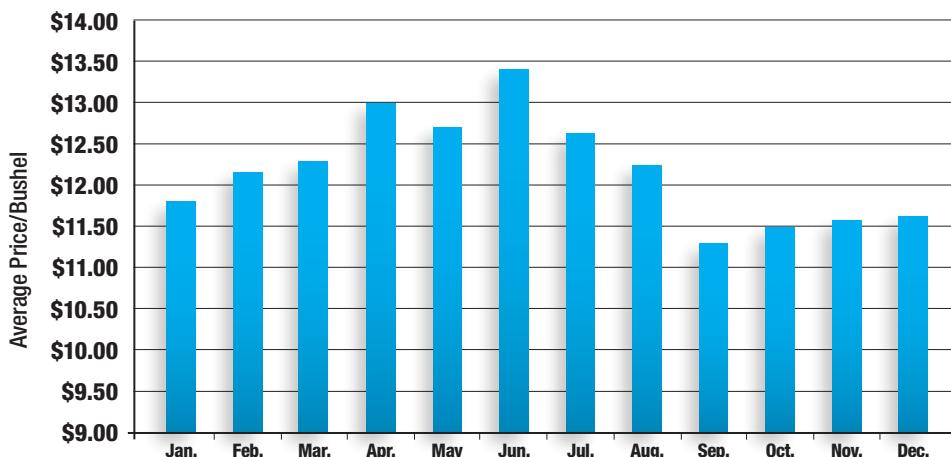
Of course, prices don't rally every time I want them to, so I also have a plan B: a time plan. If my price targets for selling cash corn and soybeans are not hit, then I make a series of 10% sales between the first weeks of April and the last week of June. This works year-in and year-out.

Recently, I got two great questions at a seminar in Nebraska about seasonal odds.

Question 1: How often has the seasonal pattern worked over the last 40 years?

Question 2: When it didn't ▶

Seasonal Soybean Prices Five-Year Monthly Average



This is the seasonal odds chart of the nearby CBOT soybean futures market. You can see how selling ahead in April through late June has usually been the right decision. It also shows that prices usually bottom in September or October. In the last three years, this concept has worked. Farmers who sold cash and hedged new crop using the seasonal odds concept had great results.

work, how much did it cost the farmers who followed the sales recommendations?

Answer 1: Selling ahead has worked in 32 of the 40 years. Four of the eight years when it didn't work, it also didn't do major harm. The other four years (of the 40), you were better off not doing anything. You do not need to know how to run a spreadsheet to see that these are good numbers in favor of using a time plan.

Answer 2: The losses

My new crop risk-management plan uses a combination of making hedges in the futures market and also buying puts.

were 25¢ to 50¢ per bushel for corn and 50¢ to \$1 per bushel for soybeans in most of the years when the plan did not work.

The worst year was 2012. That year, prices rallied right up into September 2012. The farmers who had 50% of their corn crop sold ahead were about \$1.50 per bushel below the October average and were about \$2.80 per bushel behind on soybeans compared with the October average.

Many of my subscribers also had bought puts that were worthless. But no one complained. They sold ahead on the way up (and at prices that were close to the high after harvest in the cash market), and they came out with a great average.

LOOKING AT 2017

What does the seasonal price pattern suggest for 2017?

For the cash corn and soybean markets, have 40% of the 2016 corn sold and 70%

of the 2016 soybeans sold. If your current price targets are not hit, then make the seasonal cash sales between early April and late June.

For the new crop 2017 preharvest sales, get 40% to 60% of the crop sold before harvest each year.

For the new crop 2017 sales, be more cautious than usual. If something has worked for two or three years in a row and the concept becomes well known, become very concerned whether it will work again.

My new crop risk-management plan uses a combination of making hedges in the futures market and also buying puts. This year, use more puts and less hedges because you'll need to get new crop price protection in place. All of my long-term grain cycles turn higher in late 2017. **SF**

NOTE: Trading of futures and options has substantial financial risk of loss and is not for all investors.

HEAR AL KLUIS IN PERSON

Al Kluis will be speaking March 2 and 3 at the Commodity Classic in San Antonio, Texas.

Visit alkluis.com for more information on his session times and location, or call his office toll-free at 888/345-2855. **SF**

AL KLUIS Commodity Trader

Al Kluis has been trading grain futures since 1974. Sign up for a free trial to his daily morning email and weekly "Al Kluis Report" by going to alkluis.com.



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