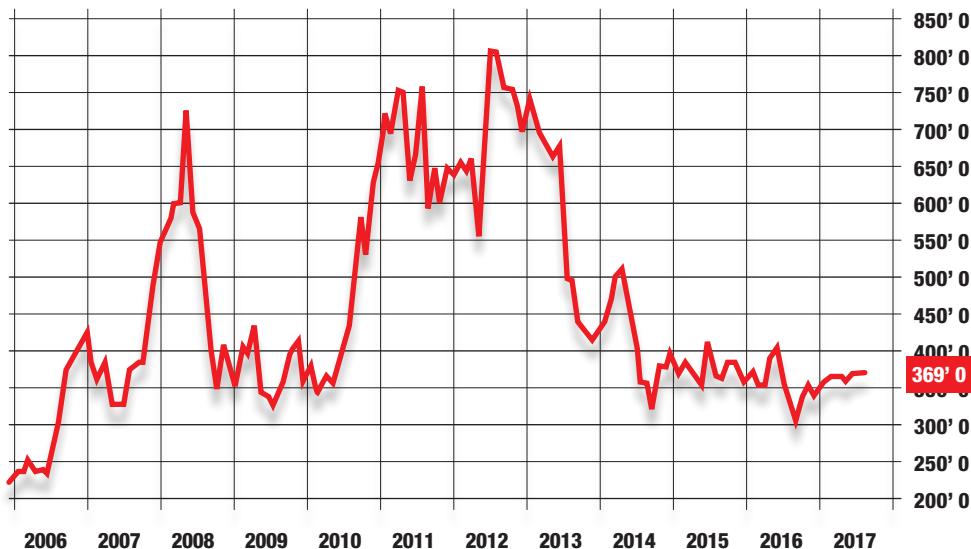


# YOUR PROFIT

By Al Kluis

## CBOT Corn Monthly



This is the monthly corn continuation chart. You can see the major high in August 2012 at \$8.40. From that high, prices dropped \$5.39 per bushel to the low in August 2016 at \$3.01. Corn prices rallied into harvest and then went into a 30¢ trading channel from January through May. Prices finally broke out to the upside in June before correcting lower in July. The long-term chart now shows a series of higher highs and higher lows since the low made in late August 2016.

## AUGUST IS A TIME OF EXTREMES

MAJOR TOPS AND BOTTOMS OFTEN OCCUR DURING THIS MONTH.

In August, hot can mean really hot. Hot and dry in July can turn into really hot and really dry in late August. When the corn and soybean markets are moving higher, sometimes in August, they can really move.

Think of August 2012. That's when corn rallied to over \$8.40 per bushel and soybeans traded close to \$18 per bushel.

On the flip side, when crop conditions are improving and grain prices are falling, prices can really move – but in the wrong way. Remember last August 2016? That's when corn was \$3.01 on the last trading day of the month.

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### A LOOK BACK AT THE PATTERNS

When I look back over the last 12 years of highs and lows, the patterns are

quite different for corn vs. soybeans.

For corn, selling in June and July has been the right decision 50% of the time. The only time in the last 12 years that selling in August locked in the high was August 2012.

Waiting to sell until August – especially late August – has been the wrong move 25% of the time. A lot of those 12 years, the price collapse in August continued through September and October.

When I work with new customers, I like to explain that I cannot pick the high in the market, but I can help them avoid the lows.

For soybeans in the last 12 years, the idea of selling in June and July has also been the right move 50% of the time. The lows tend to come in during the U.S. soybean harvest 25% of the time (September through November) and then 25% of

the time during the South American harvest (February through March).

Only once in the last 12 years has the high for soybeans come in during the month of August. That was again in August 2012, during the extreme drought.

### A LOOK TO THE FUTURE

There's an old saying: "Corn is made in July and soybeans are made in August." If you study the weekly USDA Crop Progress Reports, you can observe a high correlation between crop conditions in the month of July and the final corn yield.

For corn during late June to early July (when your crop is about waist high), the corn plant determines how many rows around each ear of corn will have. In July (when your corn is about head high), the plant determines how long the ear is. If ▶

## CBOT Soybeans Monthly



This is the monthly CBOT continuation chart of soybeans. You can see a major low in December 2008 when futures bottomed at \$7.76 per bushel. From that low, prices put in a five-wave rally, gaining over \$10 per bushel to the high in September 2012 at \$17.94. From that high, prices fell for three years to the next major low in August 2015 at \$8.44. Prices rallied back to just over \$12 per bushel in June 2016 before dropping to the \$9 low in June 2017. The close in July above the three previous months' high confirms a major low in the soybean market. The long-term chart now shows an uptrend.

the crop is stressed during that time, the ears are smaller. That is why watching the weekly USDA Crop Progress Reports in July is so important.

For soybeans during the month of August, the bean plant will determine how many pods it will set. By late August, the size of the soybeans will be determined.

If the plant is stressed, then it sets fewer pods. If the stress continues into late August, then you can end up with smaller soybeans. The net result is smaller yields. If the weather is ideal in August, then a lot of pods and large soybeans can really help your soybean yields.

From now until early September, watch the Monday USDA Crop Progress Reports. But don't just watch the numbers; be sure to watch the week-to-week trend, as well.

**If the market continues its rally into late August, then get even more 2017 price protection in place and get some 2018 crops hedged ahead.**

Earlier this year (and at the Commodity Classic seminars in late February), I was bullish on grain prices. I was optimistic because of my analysis of long-term grain price cycles.

I love being contrary. While everyone else was bearish at that time, I knew I had a high probability of being right, even though I felt like the lone bull in the room.

### THE BOTTOM LINE

If August is a month of extremes, then how should it affect your grain marketing and risk-management decisions? I continue to recommend the following three-step risk-management plan:

- Buy RP crop insurance.
- Get 50% to 60% of your insured bushels hedged.
- Get the rest covered with puts.

For the farmers who have been disciplined with their marketing plans, they have been able to get a large percentage of their crops hedged at a profit. If they were in an area with lower yield potential, then they ended up using more puts.

If the market continues its rally into late August, then get even more 2017 price protection in place and get some 2018 crops hedged ahead.

If the market collapses lower, then have a good

risk-management plan in place. With the hedges and puts you are holding, you will not have to give up ownership when prices are low. **SF**

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

### 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](http://alkluis.com).



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