

By Al Kluis

CBOT Corn Monthly



This is the monthly CBOT corn continuation chart. The last major high I am using for retracements is the high at \$7.40 in January of 2013. From that high, prices dropped to the major low at \$3.01 in August 2016. The rally above the 2017 high now opens the door for a test of the 2015 and 2016 highs at \$4.08 and \$4.39. The rally this year could create good selling opportunities to sell your cash corn at a profit and to hedge ahead the 2018 and 2019 corn crops.

GRAIN PRICES TURN HIGHER
GLOBAL CORN AND SOYBEAN INVENTORIES TURN LOWER.

When I make marketing and trading decisions, I am mainly a technical analyst. That means I study and analyze charts. I also enjoy researching grain fundamentals, especially the major USDA reports. Studying these reports helps me develop longer-term strategies and marketing plans.

I have had the great opportunity to be a guest at the USDA during the high-security release of one of these big reports. They take your cell phones, block the internet, and lock the doors. They let you look at the new report for a few minutes before the rest of the world. It is very exciting!

Global ending stocks of corn and soybeans are moving lower.

Now that my team and I have been doing our own planted acreage surveys and production estimates for a few years, I have even more respect for the USDA. It takes a lot of planning and work. We do our surveys and projections to help guide our decision-making, but we do not have the resources or

the historic database to put together the global supply/demand forecasts that the USDA puts out each month. We should all be very thankful the USDA is committed to that massive project.

Last year, even with large crops around the world, I started to see global ending stocks of corn and soybeans stabilize. Demand caught up with production. The most recent USDA reports show growing global demand and major crop production problems in South America. This means global ending stocks of corn and soybeans are moving lower. In contrast, global wheat demand is only increasing at about 1% per year. With good crops in Russia, Ukraine, and Kazakhstan, global wheat supplies are increasing.

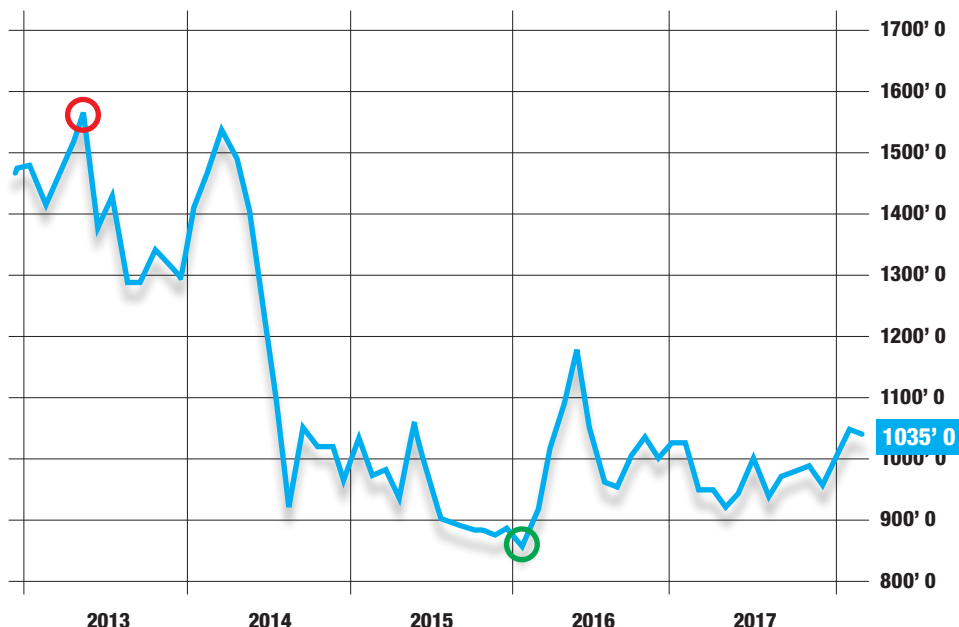
Here is a look at the global ending stocks numbers (in millions of metric tons):

	2015-2016	2016-2017	2017-2018*
Corn	215	232	195
Soybeans	78	96.5	92
Wheat	252	262	264

*Kluis Commodity Advisors estimate

What does it all mean? Corn fundamentals are quite

CBOT Soybean Monthly



This is the monthly CBOT soybean continuation chart. The last major high I am using for the retracements is the major high at \$15.90 in May of 2013. From that high, prices dropped to the low in January of 2016 at \$8.80. The soybean market has struggled to get above resistance at \$10.80. A close above that level projects prices up to the 2016 high at \$12. It's going to be an interesting year in the soybean market. The rally this year could create good selling opportunities to sell your cash soybeans at a profit and to hedge ahead the 2018 and 2019 soybean crops.

positive in 2018. However, before I can project sharply higher corn prices, I need to see global wheat supplies turn lower and global wheat prices move higher. It will not take much higher corn

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prices to take wheat back into the feed market in the U.S. and around the world.

For soybeans, there is rapidly rising global demand and there are some weather problems in South America. This means global stocks are moving lower. The result is that soybean prices have been moving higher.

What about Brazil? The trade attention has all been on Brazil. That is where the soybean crop is in great shape. In contrast, in Argentina, the dry conditions have reduced the corn and soybean crops. When I look at South America, I also add in Bolivia, Paraguay, and Uruguay.

For corn, the total South American corn crop is now down about 8 million metric tons (mmt) or about 320 million bushels from last year.

For soybeans, the total South American crop is

down 16 mmt or about 580 million bushels from last year. This is a game changer. We are in a world with increasing livestock numbers and growing demand for protein.

LOOKING AHEAD

What are the fundamentals for the U.S. in 2018? Here are the two big questions:

1. What will the final mix of corn and soybean acres be in the U.S.?
2. What will the yields be in 2018?

The large amount of extra wheat in the world will limit wheat prices. This will also limit how far corn prices will rally. For soybeans, the U.S. will need to plant at least 91 million acres and harvest a 50-bushel-per-acre crop, or it is going to get very interesting – in a good way.

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the rally since January to get a lot of cash and new crop sold. Stay disciplined. The news is always the most bullish at the top. **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.



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