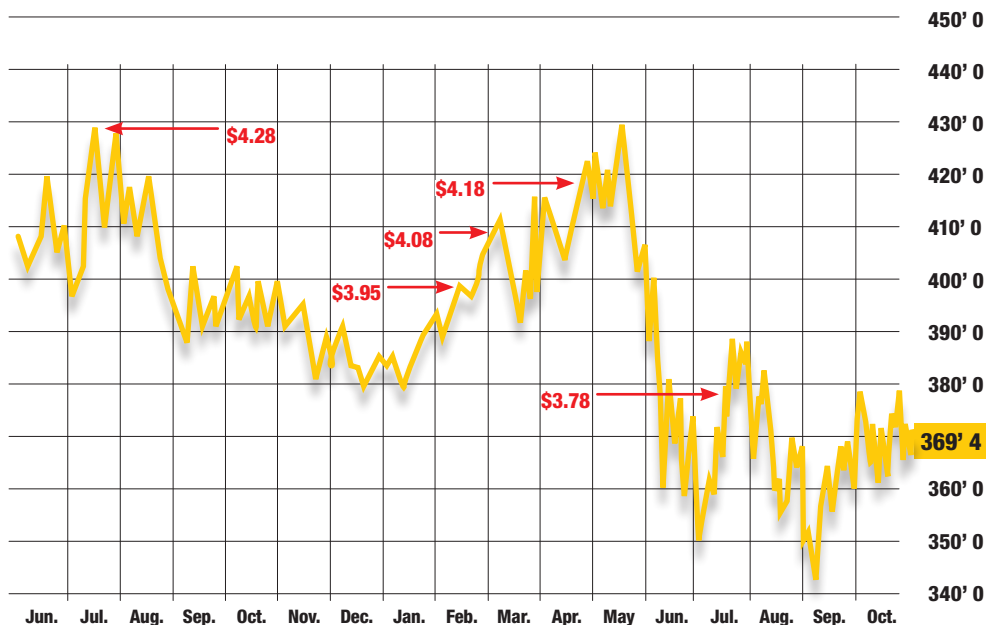


By Al Kluis

2018 KCA Corn Sales



This chart shows the five 10% new-crop 2018 corn hedges that I recommended to subscribers prior to the harvest of 2018. The series of 10% hedges resulted in a 50% hedge at an average of \$4.05 December 2018 corn. For those with storage, it resulted in a 50% hedge into March 2019 corn at \$4.17.

DON'T SWING FOR THE FENCES MAKE A SERIES OF SMALLER SALES OR YOU'LL LIKELY STRIKE OUT GOING FOR THAT HOME RUN.

Like baseball. I enjoyed watching the Minnesota Twins win two World Series in 1987 and 1991. The Twins did not have any big sluggers who could hit home runs. However, they played small ball. They hit a lot of singles, they had a great defense, they stole a lot of bases, and they won a lot of games.

What does Twins baseball have to do with grain marketing? In the last three years, the farmers who tried to hit a home run ended up striking out. The farmers who had realistic price targets, the farmers who made a series of 10% and 20% sales when

the grain markets rallied, and the farmers who got 30% to 60% of their new crop hedged ahead did a great job of marketing. The farmers who developed and then executed a disciplined plan were able to make a profit. Those who tried to hit a home run ended up in the red and had to make some tough marketing and financial choices in July and August.

When I look at putting together a plan for 2019, there are four key fundamental factors I will take into consideration.

1. A review of the U.S. Drought Monitor shows that 90% of the continental U.S.

east of the Rocky Mountains has adequate to surplus moisture reserves. The most likely chance of a weather scare next year is because of a wet spring and potential planting delays.

2. My very early acreage forecast for 2019 is for 3 to 4 million more acres of wheat, 3 to 4 million acres more corn, and 5 to 7 million fewer acres of soybeans.

3. The current 2019 soybean:corn price ratio is at 2.36:1. This ratio clearly favors more corn acres in 2019. I also am watching the soybean:spring wheat price ratio. That also projects more spring wheat acres in the Dakotas and western Minnesota.

4. Global fundamentals month by month are becoming more bullish for corn and wheat, and more bearish for soybeans.

KEY PRICE TARGETS

What are the key price targets that I will plug in for my 2019 sales? I am going to be hitting singles again in 2019, making a series of 10% and 20% cash sales. I will also be making a series of new-crop hedges and will be watching for the best time to buy put options.

For corn, I usually make some initial new-crop sales when December corn rallies to \$4.20 or higher. I have 10% to 20% of the 2019 crop corn hedged at \$4.18. In the last five years, this has worked well, except in 2017, when the December 2017 corn had a contract high of \$4.17½. I have additional 10% hedge offers in at \$4.28 and \$4.38.

For soybeans, I usually make some preliminary new-crop soybean hedges when the November contract rallies to \$10.20. This has worked well over the last five years. In 2018, I was nervous and got aggressive with new-crop hedges and puts. ▶

2018 KCA Soybean Sales



This chart shows the five 10% new-crop 2018 soybean hedges that I recommended to subscribers prior to the harvest of 2018. Many subscribers also bought put options on 10% of their 2018 crop each time I made the hedge recommendation. The series of 10% hedges resulted in a 50% hedge at an average of \$10.06 November 2018 soybeans. For those with storage, it resulted in a 50% hedge into March 2019 soybeans at \$10.28.

I am willing to hedge 10% to 20% of my soybeans if November 2019 can rally to \$10.20. With the current global fundamental situation, I am just not sure how realistic that price target is. However, at least I have my offer in place.

For wheat, I have 20% to 40% of the 2019 wheat hedged and another 20% to 40% protected with puts. I have a lot of the 2019 spring wheat hedged because of the potential of 2 to 3 million more acres of spring wheat in 2019. I will do my initial acreage survey in late February. I may take the gain on some of the spring wheat hedges and plant soybeans so that I am moving contrary to what most of the farmers are doing who are planting less soybeans.

This question comes up at almost every seminar: “Why is the window to sell

at a profit getting smaller each year?” I have a couple of theories as to why this has developed.


- With the huge improvement in crop traits and with farmers adopting better production technology, it’s more difficult to get a crop failure.
- The speed of moving information has shortened the time it takes to get bullish or bearish news factored into the grain markets. In the 1980s, it would take several weeks for a bullish development (like a weather scare) to get factored into the grain markets. The rallies would last for several weeks. Now with farmers around the world connected to the internet and many farmers using smartphones to send and receive information and process trades, it takes just a few days.

The increased speed of communication and the in-

creased day-to-day volatility in the grain markets makes having a written marketing plan with all of your offers called in more important than ever.

UPCOMING SEMINARS

I will be holding a free seminar on January 25, 2019, from 1 to 3 p.m. at the DoubleTree by Hilton Hotel of Phoenix in Gilbert, Arizona. Topics include land price trends, weather, and grain market outlook for 2019. Preregister online at kluiscommodities.com/events or call **888/345-2855**.

Also, I invite you to join me at Commodity Classic 2019 in Orlando on February 28 to March 3. 

NOTE: The risk of loss in trading futures and/or options is substantial, and each investor and/or trader must consider whether this is a suitable investment.

Past performance – whether actual or indicated by simulated historical tests of strategies – is not indicative of future results. Trading advice reflects good-faith judgement at a specific time and is subject to change without notice. There is no guarantee that the advice given will result in profitable trades.

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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