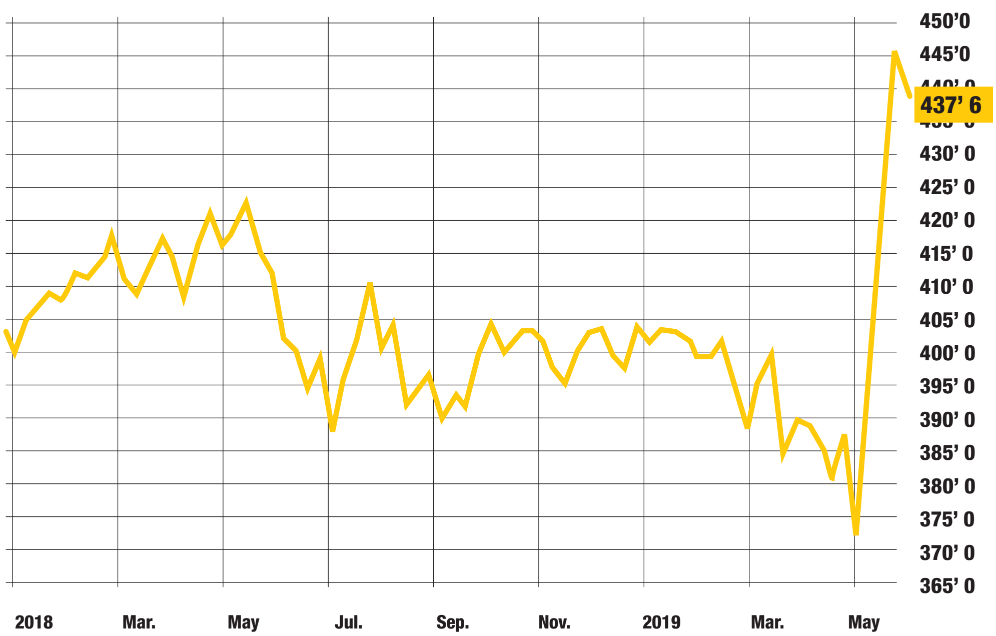
YOUR PROFIT

By Al Kluis

December 2019 CBOT Corn Weekly



This is the December 2019 weekly corn chart. You can see the top at $4.24 in May 2018. From that high, prices fell to the major low at $3.64 in early May 2019. From that low, prices rallied over 90¢ per bushel to the high in June 2019.

CHALLENGING WEATHER CREATES CHALLENGING MARKETS

MANAGE RISK BY USING ALL YOUR MARKETING TOOLS.

A longtime customer from South Dakota called in early May with this question: "I still have 30% of my 2018 cash corn to sell. What is the plan if we have perfect spring weather and the corn market just keeps grinding lower?"

A good question! It always looks bearish at the bottom. The week after I got this question, it started to rain – and it kept raining. In one week, the corn market put on 60¢. All told, corn rallied over $1 per bushel in May. I used that rally to make cash corn sales and increase 2019 crop hedges. I even placed some 2020 corn hedges. Record rainfall, a huge amount of prevent plant, and the very slow pace of planting in 2019 created a rally that did not seem possible in late April of 2019.

Marketing grain during a weather scare market is tough. However, it sure beats the grinding bear market we had this last winter. I could feel the bearish emotions in the room at my seminars in January through March of 2019. Then, I felt the bullish optimism when corn rallied over $1 per bushel.

But never forget: It always looks bullish at the top.

I am glad that 40 years ago I learned to make my decisions based on my charts – not just emotion. It is crucial to not become a victim of market sentiment.

CORN STRATEGIES

Let's take a look at what my plan was for corn in January and how I adjusted it in May.

My initial plan was to get 30% to 40% of the corn hedged ahead between $4.06 and $4.50 in the December 2019 corn futures. A few fortunate farmers who were able to get all of their corn planted placed those hedges. For those farmers who were struggling to get their corn planted, I cut back on the amount of the hedges to just 20%.

I also placed some of those hedges out into the December 2020 contract that was trading at about a 12¢ premium to the December 2019 corn contract. I then bought put options on 20% of the projected corn crop.

With put options, you don't have a delivery commitment if you don't get a crop. If the market moves lower, then you make money. If the market moves higher, then you lose the money on the put.

I like being in a position where I have 40% of the downside protected, yet I will be able to gain on 80% of my corn production if prices move higher.

My three-step risk-management plan recommends buying crop insurance, getting 20% to 40% of my crop hedged, and getting the

November 2019 CBOT Soybeans Weekly

This is the November 2019 weekly soybeans chart. You can see the high at $10.10 in March 2018. From that high, prices dropped to a major low in July 2018 at $8.65 per bushel. Prices then rallied to $9.70 in December 2018 before crashing to the major low at $8.15 in May 2019. From the early May low, prices have rallied by over $1 per bushel.

remaining bushels protected with puts.

In this exciting volatile corn market of 2019, the plan is working. Keep in mind that your goal is not to hit the high of the market. Instead, your plan will help you make more profits and reduce your worries about the grain markets.

BEAN STRATEGIES

It has been tough to make recommendations in the soybean market this year. The offers I had above the market were at very minimal profit levels, and they were not hit. The late wet spring brought more soybean acres in than my earlier forecast.

Keep in mind that your goal is not to hit the high of the market. Instead, your plan will help you make more profits and reduce your worries about the grain markets.

At the time that I am writing this (early June), another negative factor is the trade talks with China. They are not making progress.

By early July, I will need to sell the last 10% to 30% of my cash soybeans. If I am not satisfied with the price at that time, then I may buy some August soybean calls.

For the new-crop November soybeans, I have lowered my initial price target to make some 2019 soybean sales down to $9.88. If I do not get a lot of the 2019 soybeans sold, then I will consider using the $6.20 loan on my 2019 soybeans.

Eventually, the U.S. will put an agreement together with China or some weather problems will develop in the U.S. or South America over the next nine months.

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.

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