

# YOUR PROFIT

By Al Kluis

## U.S. Corn Fundamentals (in millions of bushels)

	2019	2019	2019
Planted Acres	91.7	91.7	91.7
Harvested Acres	84.3	84.3	84.3
Yield	161.0	165.0	169.0
Carry-In*	2,195	2,195	2,195
Production*	13,572	13,910	14,247
Supply*	15,816	16,153	16,490
Total Use*	14,250	14,250	14,250
Carryout*	1,566	1,903	2,240
Stocks/Use Ratio	10.9%	13.3%	15.7%
Price Range	\$4.40-\$4.70	\$4.70-\$4.90	\$4.40-\$4.70

\*Kluis Estimate

## WATCH THE AUGUST 12 USDA REPORTS

**A 2-BUSHEL CHANGE IN YIELD  
CAN EQUAL A \$2 CHANGE IN PRICE.**

For many farmers, the spring of 2019 is one for the record books. It's also a year many farmers do not ever want to see repeated. Historic rainfall in the eastern Corn Belt delayed planting for many farmers. Farmers who could not get started until mid-June were forced to switch corn acres over to soybeans. When it kept raining, some farmers eventually filed a prevent-plant claim on the acres that were too wet to plant until early July.

The late-June weekly USDA Crop Progress Report indicated that farmers still had 7.4 million acres of corn to plant and over 19 million acres of soybeans to go. When farmers finally reported they were done planting corn, it did not mean that they got 100% of the acres they planned to plant. It just meant that they had done what they could. I estimate that 33 million acres of soybeans were planted in the last week of June or July.

The USDA Acreage Report on June 28 showed planted corn acres at 91.7 million acres. This was up a surprising 1.9 million acres from the June 11, 2019, report and down just 700,000 acres from the forecast in March 2019. The USDA also said it would resurvey 14 states. The prevent-plant corn acres will not be factored until the August 12 report. That report is

also when the USDA will make its first survey-based yield forecast. I expect harvested acres and yield to both move lower in August.

For soybeans, the June 28 Acreage Report showed planted soybean acres at just 80 million acres. This was down 1.8 million acres from the June 11 report and down 4.6 million acres from the forecast in the initial March USDA estimate. With only 78.4 million soybean acres for harvest, a 2-bushel change in the yield this year could create a \$2 change in price according to my estimates.

I usually only update my running predictions of the monthly USDA report numbers once a month. However, this year, I have been updating my calculations every week. The supply-and-demand projections in this article are a snapshot of where I think the ending stocks will be at the time

**In my spreadsheet of different 2019 corn supply/demand scenarios, I have used the most recent USDA acreage projections. My preliminary yield projections are 161, 165, and 169 bushels per acre. I have cut usage by 200 to 500 million bushels.**

of my writing this article. I know I will be making some major changes after the August 12 reports.

When I work with the supply/demand reports, I become more confident in the supply side of the report. That means, as the year progresses, I become more confident about the size of the crop.

The most challenging part is to try and forecast demand. As prices move higher, demand begins to drop. That is called demand destruction. Many times, I am not aware of the magnitude of the demand destruction until after it has developed.

I also know that the fundamentals are most bullish at the top and the most bearish at the bottom. That is why I study the fundamentals but make most of my decisions based on my chart analysis. ▶

## U.S. Soybean Fundamentals (in millions of bushels)

	2019	2019	2019
Planted Acres	80.0	80.0	80.0
Harvested Acres	78.4	78.4	78.4
Yield	45	47	49
Carry-In*	1,070	1,070	1,070
Production*	3,528	3,685	3,842
Supply*	4,620	4,777	4,934
Total Use*	4,295	4,295	4,295
Carryout*	325	482	639
Stocks/Use Ratio	8%	11%	15%
Price Range	\$10.40-\$11.70	\$9.50-\$10.40	\$8.80-\$9.50

\*Kluis Estimate

In my spreadsheet of different 2019 soybean supply/demand scenarios, I have used the most recent USDA acreage projections. My preliminary yield projections are 45, 47, and 49 bushels per acre. I have cut usage down to 4.295 billion bushels, which is as low as I think it can go. I again look to make some major changes after the August 12 USDA crop reports. The soybean fundamentals are turning quite positive for 2019 and 2020.

### THREE SIGNALS TO WATCH

Pay close attention to the following three signals to know when the corn and soybean markets are topping. Although none of the signals will ensure that you hit the top, they should help you get some crop sold ahead of what I still expect to be the harvest lows.

**1. Watch cash basis bids.** On the May/June rally, cash basis bids improved as the rally continues. If the rally gets frothy and basis levels widen out, then it's a sign to get more sold.

**2. Watch the spreads.** Again during the May/June rally, the nearby contracts led the rally higher. This showed good demand for nearby corn and soybeans. When the spreads start to narrow, then it's a negative signal.

Then it's a negative signal.

**3. Watch out if the Commitments of Traders Report shows large or record long fund positions in corn and soybeans.** That will be one of your best sell signals.

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### ACTION STEPS

Have price protection in place for 30% to 50% of the 2019 crop ahead of the August 12 reports and then watch

for a place to get another 20% to 30% of the crop (depending on your specific situation) protected with hedges and puts.

Monitor the three key signals to determine when to make those sales. Make a spreadsheet decision on how much to hedge and when to hedge based on the profits on your farm. **SF**

Join me for the August 12 USDA crop reports webinar at 10:45 a.m. (CDT). This is going to be one action-packed half hour. For information on how to log in and to participate, go to [KluisCommodityAdvisors.com](http://KluisCommodityAdvisors.com).

**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 "Kluis Report" by going to [kluiscommodities.com](http://kluiscommodities.com).



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