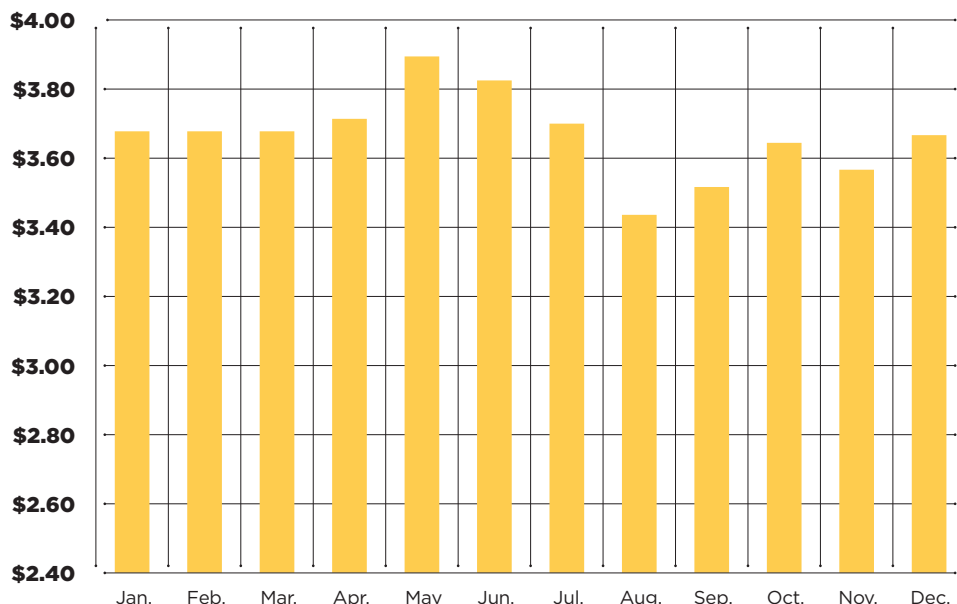


SEASONAL CORN PRICES

Five-Year Monthly Average (price per bushel)



This is the five-year seasonal odds chart for nearby corn futures. You can see that corn prices usually top out in May and June, then drop into a preharvest low in late August. By October, corn prices usually begin to trend higher.

lot of farmer-owned ethanol plants. Second was the huge and growing demand for soybeans by China, much of which moved through the Pacific Northwest. Grain buyers started calling daily to offer bids to farmers and to buy directly from the farm. It was really busy over the noon hour when the farmers were in the house having lunch. Almost all of the grain was sold on a flat price contract or a new-crop cash contract.

CHANGING WITH THE TIMES

Is there a digital grain marketplace in your future?

By Al Kluis

Over 40 years ago, I started my first company in Mankato, Minnesota. I enjoyed going to the local office supply store and buying my paper, pens, and other supplies. I even came back with some items not on my list – thermal fax paper, for example.

Now, however, I can't even remember the last time I went to an office supply store in person. Instead, I order online. It's cheaper, easier, and usually arrives the next day. I don't have to drive in bad weather (and in Minnesota, that can be often) or search for parking. I don't have to lug my purchases out to my car or into the office. Who knew it could be so efficient and cost effective?

Shopping online is a terrific example of a paradigm shift. These shifts in how you think (and act) help you run your operation more efficiently and help you make – and keep – more profits.

Here are five shifts I have watched during my career so far.

1: Cutting out the middleman. As a child, I really enjoyed going to the grain elevator with my dad and checking the markets. “What are you bidding for corn, Floyd?” was usually the first question my dad would ask. While I was in high school, we went from growing corn, flax, and oats to mainly corn and soybeans. We hauled the grain about 5 miles in wagons and trucks to the local elevator, which stored the grain and then eventually sold it to a regional terminal. Some of the larger farmers in our area started buying semis and going direct to the regional elevators that were 20 to 50 miles away. When corn was trading just over \$1 per bushel (and soybeans at \$2.80 a bushel), every nickel counted.

2: Having more end users. In the late 1970s as I started my first grain company, a lot started to change. First was the construction of a

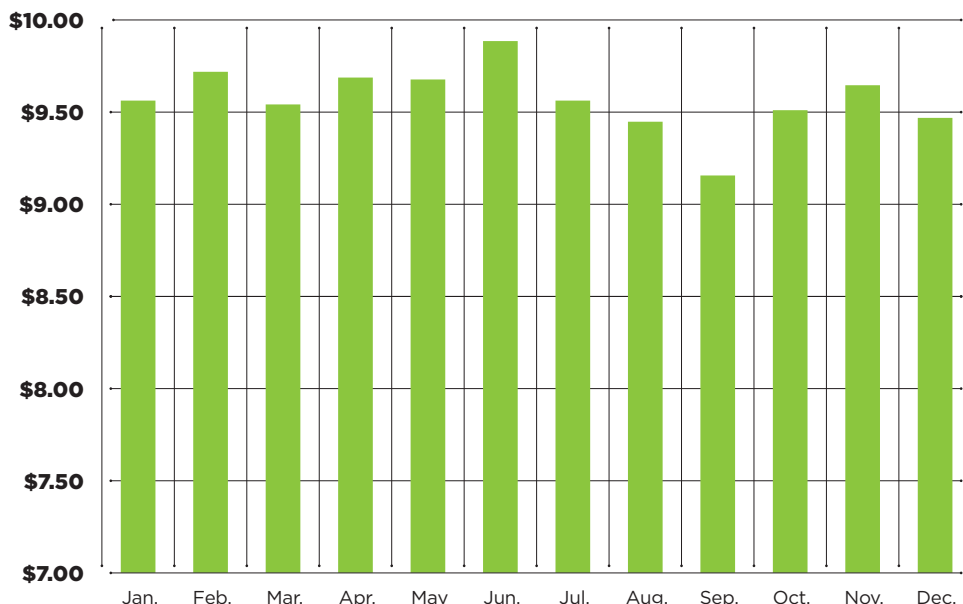
3: Learning to market. In the 1980s and by the 1990s, more farmers began placing hedges and using other grain merchandising tools. The customers I had – who learned how to hedge, then sell the carry and wait for basis improvement – were able to add 20¢ to 30¢ onto their selling price without taking on more risk.

4: Doing strategic marketing. Between 2000 and 2018, we focused on using a combination of hedges, puts, and crop insurance to create a very effective three-step risk-management program.

5: Going from bid taker to bid maker. From the time I started in the grain business in 1975 until this year, I was usually a bid taker. I would call to hear the bid or look at my screen to see the bid-and-ask.

SEASONAL SOYBEAN PRICES

Five-Year Monthly Average (price per bushel)



In the last year, many of my customers are starting to use the Indigo Ag Marketplace. (I think of it as Amazon for the grain industry). You can see grain bids, you can check on what the bid is to get grain picked up on your farm, and you can see all kinds of offers. You can post a flat price bid, a hedge price, or a basis offer.

The ability to post an offer is a real game changer. You can become a bid maker instead of a bid taker. Long term, using a digital marketplace will allow for a more transparent and efficient grain market for buyers and sellers.

These are the three key advantages of a system.

1. There is transparency. Do you remember when the Chicago Board of Trade moved away from the pit trade and went to an electronic trading system? That was a great change. You can see the bid and offer as well as the size of the bid and offer. I like the transparency and the instant fills, day or night. A digital grain marketplace gives you many of the same advantages. You can see the bids and offers, and you can also post a picked-up-on-the-farm bid.

2. If you grow a high-quality crop, you are paid for that crop.

If you are in an area where you got your corn planted on time and then let it mature in the field, you can be rewarded. You may have No. 1 quality corn. If you have No. 1 corn, or non-GMO corn, or any type of specialty grain, you can now post that you have a known number of bushels and post the flat price or basis premium you would like for that grain.


3. You become a bid maker instead of a bid taker.

I have always recommended that if you are hedging your crop ahead, you should have resting offers above the market. I still encourage you to do that. However, in addition, now you can post the flat price, basis offer, or picked-up-on-the-farm bid that works best for your farm. I like being in a position to choose the price I want to take, rather than calling in to see what someone else wants to give.

Now for my current market outlook.

The seasonal odds pattern worked again this year. The corn and soybean markets peaked in May and June and dropped into August. In October, expect secondary lows

This is the five-year seasonal odds chart for nearby soybean futures. You can see the highs usually coming between April and June, followed by lower prices into September and October. By November, soybean prices usually begin the seasonal rally.

followed by a rally into late this fall and the first quarter of 2020. Postharvest, you will see the futures move higher and major basis improvement. 

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 judgment 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



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