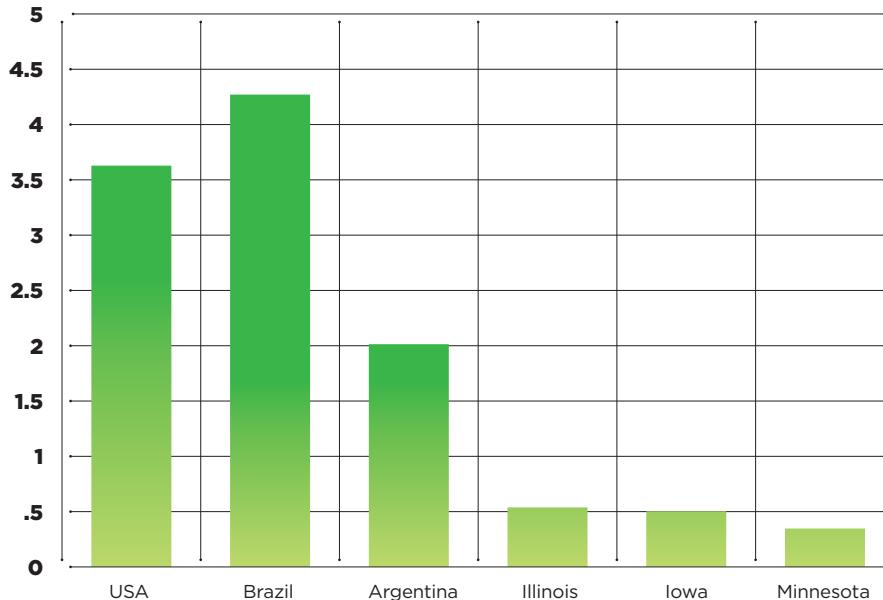


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2020 U.S. & SOUTH AMERICA SOYBEAN PRODUCTION

(In billions of bushels)



TRADE ATTENTION SHIFTS

A record crop in South America is again in the forecast.

By Al Kluis

This has been a very challenging year for U.S. corn and soybean farmers. With the late wet spring, the uncertainty of the trade war with China, and soybeans trading below most farmers' cost of production, this was a tough year to make the right marketing decisions. My minimum price target for getting new-crop soybeans hedged has been \$10.18 November new-crop futures. For the first time in six years, prices fell short of my first price target.

In 2019, marketing corn was easier than soybeans. Corn futures rallied up to a good profit level for your cash corn and the 2019 corn crop. I even made some hedge recommendations out into the December 2020 corn futures. If you sold the wet weather rally aggressively in 2019, you were able to lock in some modest

profits for your corn crop. However, at this writing, soybeans are below most farmers' cost of production.

Now the focus shifts to South American weather and yield prospects.

It is interesting to talk with farmers and view the profit potential in both continents. Farmers in South America also face a lot of new challenges as they plant their late corn and soybeans and prepare for the early harvest of soybeans in six to eight weeks.

A Look at Brazil

The hard sell-off in the Brazilian currency has been a mixed blessing. The farmers are getting more reals per bushel. Inflation is increasing, and their input costs for fertilizer and seed continue to soar. Higher inflation and fuel costs have increased trucking rates and created a much wider basis.

It looks like Brazil will produce nearly 600 million bushels more in the 2020 harvest than the U.S. crop harvest of 2019. The combined Brazil and Argentine soybean crop is nearly double the size of the U.S. crop. The key to watch will be South American weather in February and March of 2020.

Farmers also have limited access to inputs. Many of the traditional suppliers are switching from barter (trading inputs such as fertilizer and herbicide for sacks of new-crop soybeans) to cash up front. When soybean futures are trading below \$10 per bushel on the CBOT, selling soybeans at a profit is a challenge all over the world.

Unless major weather problems develop, my outlook is for Brazil to produce nearly 600 million bushels more soybeans than the U.S. this year.

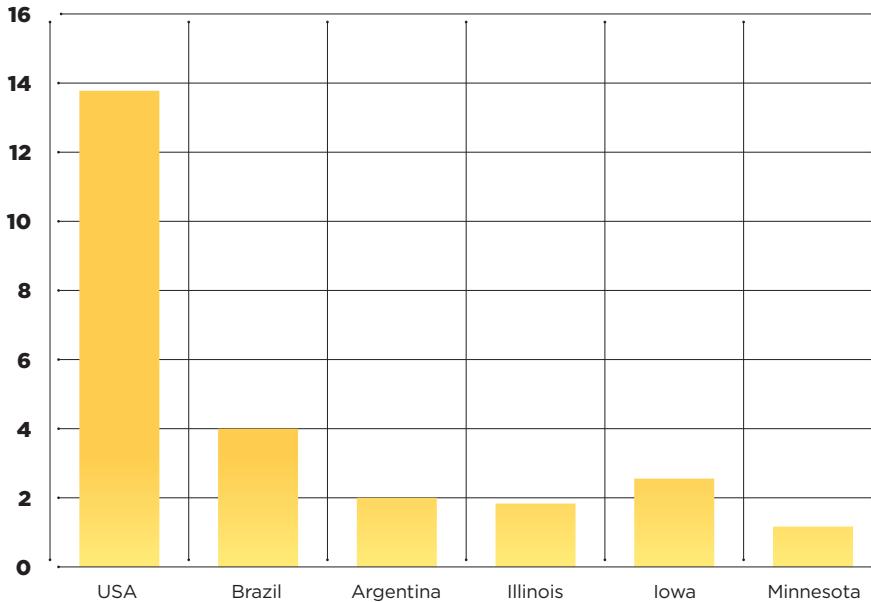
A Look at Argentina

The financial uncertainty and rampant inflation in Argentina is taking a toll on its farm profit outlook. The Argentine peso has dropped by over 50% this year (at this writing). Short-term interest rates have jumped to over 50% — when money is even available. Trucking rates change daily. After the next election, the odds are high that farmers will see even larger deductions from their grain checks to help bring much-needed revenue into the central government.

In this uncertain environment, Argentine farmers are likely to increase soybean

2020 GLOBAL U.S. & SOUTH AMERICA CORN PRODUCTION

(In billions of bushels)



This chart shows how dominant the U.S. is in corn production. Even though total U.S. corn production is down over 600 million bushels from last year, the U.S. still produces more than twice as much corn as Brazil and Argentina combined.

if the futures rally.

If the futures do not rally, then cashing in on a good basis in late November or early December is still the right long-term grain merchandising and financial decision. **SF**

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.

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acres and plant less corn in 2020. Farmers will sell just enough of their crops to pay off the banks. When Argentine farmers are looking at 50% inflation, one of their best hedges is beans in the bin.

Looking Ahead

When I put together a marketing plan, I have to work with the prices and yields that are available, not just what I wish was available. When I look at my 2019 corn and soybean continuation charts, I am amazed at how well the seasonal patterns worked again this year. The farmers who made cash and new-crop sales on the May/June rally are in a much better position than those farmers who used the hold-and-hope method in the fall of 2019.

Here are some key steps to consider for your 2019 corn and soybean crops.

With tight margins, it is really important to have a written plan. It is also important to share the plan with your lender. Even though profits are hard to come by, your banker will be encouraged that you are putting together a realistic plan.

For corn, the outlook for a big rally in

the futures market is limited because of the projections for 2 billion bushels of ending stocks. With a U.S. corn crop that is 600 million bushels less than last year, basis levels can improve significantly after harvest. If July 2020 corn can rally back to \$4.20 or higher, then increase your 2019 sales from 40% (taking them up to 80% total) and wait for the basis to improve in early 2020.

For soybeans, when I look at the U.S. and South American fundamentals, it is hard to get bullish on soybean futures. I also know from 40 years of trading that it is dangerous to get negative when soybean prices are this low and the trade is so negative.

One step for farmers with soybeans in the bin is to buy some time by using the government nine-month loan. However, do so with this warning: If you take that loan, then you still need to have a marketing plan for those soybeans that are under the nine-month loan.

For soybeans in commercial storage, if you get a good basis in late November or early December, then cash the soybeans in and buy back with calls or call option spreads. This can allow you to reduce debt at the bank and yet still make more income