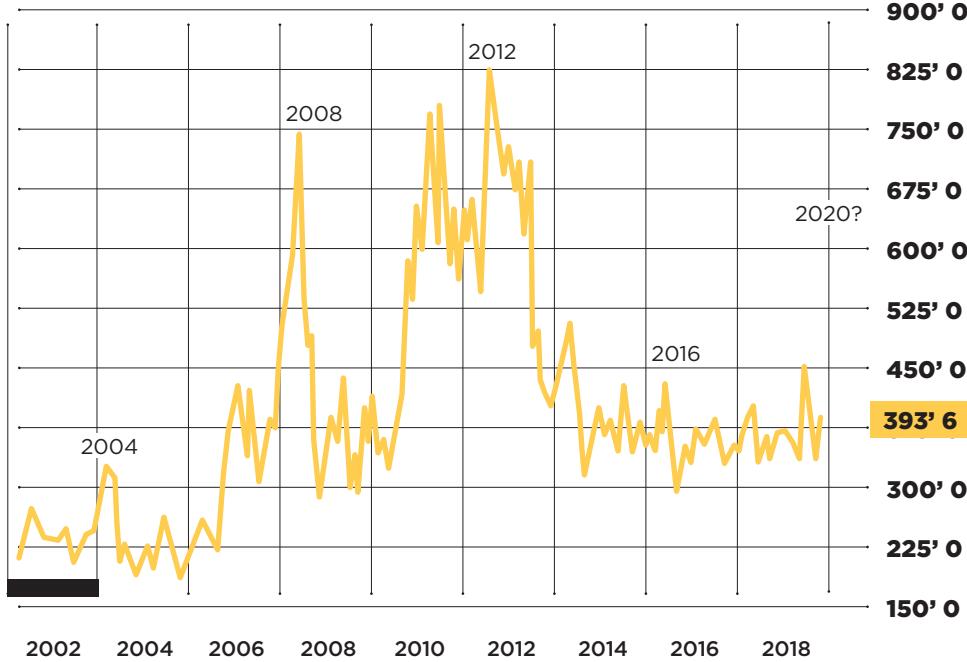


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**MONTHLY CBOT CORN**



Election years have created some large rallies in the corn market over the last 20 years. The average rally has been \$2.38 per bushel. A more realistic expectation in 2020 when fundamentals are the same is for a rally in a range of \$1.03 to \$1.54 per bushel. Even that looks like a stretch for next year.

**A Look at Corn**

Let's look at corn and how far the corn market has rallied in the last four national election years: 2004, 2008, 2012, and 2016.

The rallies, in order, have been \$1.12 per bushel, \$2.57 per bushel, \$4.90 per bushel (that whopper was 2012), and 95¢ per bushel. A simple average (including 2012) projects a rally of \$2.38 per bushel. If I take out the huge \$4.90 rally of 2012, then the average changes to \$1.54.

When I look at years with a similar fundamental outlook (but without an election), it projects a rally of \$1.03 per bushel.

Now start with a base price of \$3.40 per bushel, which is the September 2019 low on the corn continuation chart. From there, you can use those three projections to target highs of \$5.78, \$4.94, and \$4.43. Of those three, I do not think \$5.78 is realistic target for nearby corn futures in 2020. However, I will get a lot of corn sold if the corn market can rally to the more realistic price targets.

**A Look at Soybeans**

Let's start with those election years over the last 16 years.

# GRAIN MARKET OUTLOOK FOR THE ELECTION YEAR

The four-year cycle in grain prices projects higher prices.

By **Al Kluis**

**R**egardless of who you voted for in the last election, election years have yielded grain rallies. The pattern is very clear. We have had major rallies in the corn and soybean markets in 2004, 2008, 2012, and 2016.

So what about 2020?

I can list several reasons why I think we are likely to see a repeat in 2020.

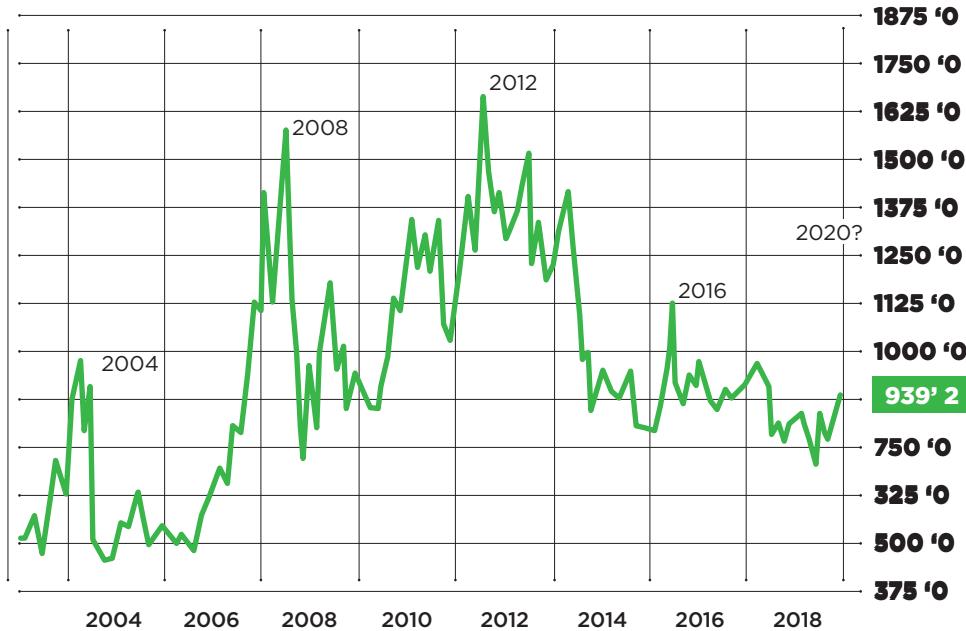
For example, U.S. fundamentals have turned positive over the last six months, and now any production problems in South America or in the U.S. next year could create higher prices and some very volatile grain markets.

Let's start by looking at the current projected carryout and where it was last year, where it was early this spring, and where it is now.

For corn, the projected carry-out in the last USDA report for 2019-2020 is 1.929 billion bushels. This is down from 2.190 billion bushels this September and down from private estimates of 2.4 billion bushels earlier this year.

For soybeans, the combination of lower acreage and yields (as well as a rebound in usage) has taken the projected carryout down from 913 million bushels to about 460 million bushels in the last USDA report.

**MONTHLY CBOT SOYBEANS**



The rallies, in order, have been \$5.31 per bushel, \$8.73 per bushel, \$7 per bushel, and \$3.03 per bushel. A simple average (including the outlier, which this time is 2008) projects a rally of \$6.01 per bushel. If I exclude 2008, then the projected rally drops to \$5.11 per bushel. This still seems unrealistic. If I choose two years with similar fundamentals, then it drops to \$4.17 per bushel – although even that seems like a stretch.

For my chart, I use the September 2019 low (\$8.40) as my base price. If I put my three projected rally targets on top of that base, I see my price projections for nearby soybean futures in 2020: \$14.41, \$13.51, and \$12.57. This is not a price forecast; rather, it is an example of how to use this measuring concept.

Today, these prices all seem unrealistic. However, in over 40 years of trading, I have learned that whenever trade attitude gets this negative, some tear-your-head-off rally seems to develop in the soybean market.

You can see the way you can use results

from other years to make projections. I also have learned how to make more accurate projections by using only the data from years that have a similar fundamental situation to this year.

You need to make certain assumptions, and if something changes dramatically, then factor in those new assumptions. While these election year targets may seem unrealistic, they are nonetheless a more reasonable and conservative way to use your projections than to think you can pick a top.

By doing this work, it also lets you make specific price targets above the market that are logical price levels to make a sale.

**Final Thoughts**

**W**hen I am researching previous rallies, I first look at how much prices have rallied. I also study the length of each.

For corn and soybeans, prices have very consistently rallied for seven to nine months. I think it is very important in your marketing plan to have price offers in above the market and to set deadlines.

Election years have also created some large rallies in the soybean market over the last 20 years. The average rally has been \$6.01 per bushel. A more realistic expectation in 2020 when fundamentals are the same is for a rally of \$4.17 per bushel. Which does not seem very realistic at this time.

Use a time plan to make sure you are making sales between March and May 2020, even if the price targets are not hit. 

**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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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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