

MARCH 2020 CBOT CORN



This chart shows a major low on May 13, 2019. From that low, prices rallied 96¢ over 25 days to the high at \$4.76 on June 17. Prices then collapsed to the low on September 9 at \$3.66. Prices again rallied for 25 days to the high at \$4.11 before turning lower into November.

launched. I built my first Kluis Commodities website in 2005 and processed my first electronic grain trade in 2008.

My current iPhone is 128 to 256 times faster than my first PC. The widespread use of the internet and increased speed of communicating makes the market more efficient. I now work with 95% of my subscribers – who are around the world – with my KluisNow app. I deliver market information and recommendations to their smartphones. My information is just a drop in the ocean. What used to take weeks to get factored into grain prices now takes just a few days.

Factor #3: Sophisticated end users. Instant access to global weather and crop projections has leveled the playing field for buyers around the world. These buyers no longer have to wait for a fax or a phone call to find out what is going on in Milford, Iowa, or Mato Grosso, Brazil. Global buyers know this information just as fast as the traders in Chicago. My customers can instantly lock in prices even when the weather models change at 1 a.m.

What does this mean for your grain marketing?

It may be a surprise to you, but I look at more than grain markets. I have also ▶

BETTER GENETICS AND SMALLER RALLIES

What will it take to get \$5 corn?

By Al Kluis

At a recent marketing seminar, one of my longtime customers challenged me with a tough question. “With the new corn genetics, the old rule of losing 1 bushel per day on your corn yield planting after May 10 and 2½ bushels per day after June 1 does not work anymore. Look at how late we planted the corn crop this year, and we still ended up with a yield of over 165 bushels per acre. So, when will we see \$5 corn?”

True, we have better genetics every year and the corn and soybean yield potentials are moving higher. It’s not just improved genetics, though, that limit how far the grain markets can rally when a crop scare develops.

There are three other major factors that limit how far prices can go and how many weeks or days the grain markets can rally.

Factor #1: Changes in global markets and increasing competition from other countries (who

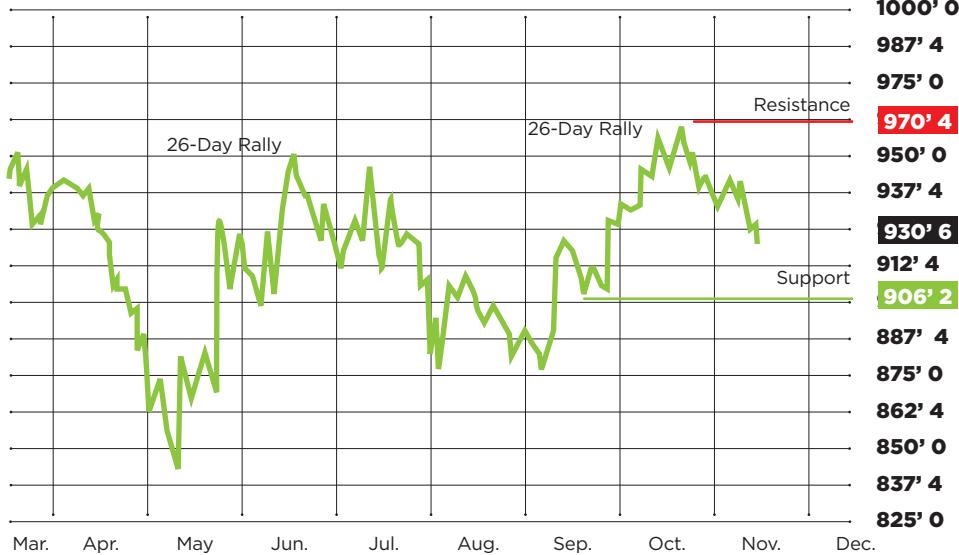
also have much-improved genetics). Brazil and Argentina have become huge export competitors.

In 1999, the combined corn crop of Brazil and Argentina was 1.1 billion bushels. By 2009, total production increased to 3.1 billion bushels. This year, the combined crop from Brazil and Argentina is projected to increase to 6.2 billion bushels.

For soybeans, the combined Brazilian and Argentine crop in 1999 was 1.7 billion bushels. However, within a decade, it doubled (to 3.8 billion bushels in 2009). During the next decade, it nearly doubled again (projected at 7.2 billion bushels in 2019). Today, if the U.S. has a production problem, then global buyers just have to wait for six months and they can get the supply they need from South America.

Factor #2: Better communications. With my need for market data, I was an early adopter of internet tools. I got my first AOL email account in 1999, the year after Google

MARCH 2020 CBOT SOYBEANS



This chart shows the major low at \$8.42 on May 13, 2019. From that low, prices rallied for 26 days and \$1.22 to the high on June 18 at \$9.62. Prices went down from the June 18 high to the low at \$8.79 on September 9. Prices then rallied for 26 days to the high close at \$9.65 on October 14. Prices chopped lower into late November.

Main Stage during the event. This Minnesota guy will be looking forward to seeing you in San Antonio, Texas, February 27-29, 2020. **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.

**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.
Kluis Commodity Advisors
901 - 12 Oaks Center Drive Suite 907
Wayzata, MN 55391
888/345-2855
kluiscommodities.com

studied military history. This tells me that to be successful now, you need to be small and fast. Small and fast results in more wins than being big and slow. How can you do this in the grain market?

Here are three suggestions.

Suggestion #1: Fast response. Every farm operation should have a marketer who is authorized to pull the trigger. You need someone who knows basic grain marketing and is prepared – with skills, a plan, and your permission – to act quickly. I used to recommend four sales of 25% of your harvest. Today, your team marketer will have to make 10 (or more) sales and will undoubtedly need to make some of those sales at 1 a.m.

Suggestion #2: New tactics. Weather hasn’t changed much, but weather scare rallies have. Now, when a weather rally turns prices higher, you have to start to sell on day 10 and make sure your crop is protected (with hedges and puts) by day 25. The major rallies last summer and again this fall were 25 and 26 trading days. Considering the huge positions the commodity funds put on and take off, and the impact of those moves, be a week early rather than two days too late.

Suggestion #3: Strategic thinking. Stay aware of the price levels and profit opportunities in the futures contracts that are two, three, and four years out. In the last few years, I

have sold a lot of corn futures between \$4.10 and \$4.30. Most of the time, those hedges have been put on in the futures market on the contracts trading two and three years out. I don’t recommend you do this for more than 20% or 30% of a conservative yield. However, the strategy of selling a rally and the big carry has worked over 80% of the time in the last 20 years.

So, when will we see \$5 corn?

I don’t think it will be in 2020. The good news on my long-term corn chart is that the 2019 corn chart posted a higher low, higher high, and higher close in 2019 than in 2018. The long-term trend has turned up.

In 2020, the best chance of a weather scare rally will again be because of wet spring weather and delayed planting in the spring. If the June 2019 high at \$4.64 is taken out, then my next chart objective on the long-term chart is at the 2014 high at \$5.14. For 2020, that chart objective is not impossible, but also not very likely. If the corn and soybean markets rally on a weather scare for any reason, then make a series of 10% sales on that rally between day 10 and 25. That simple strategy worked great in 2019, and I believe it will again in 2020.

See you at the 2020 Commodity Classic!

I will be speaking at the Successful Farming