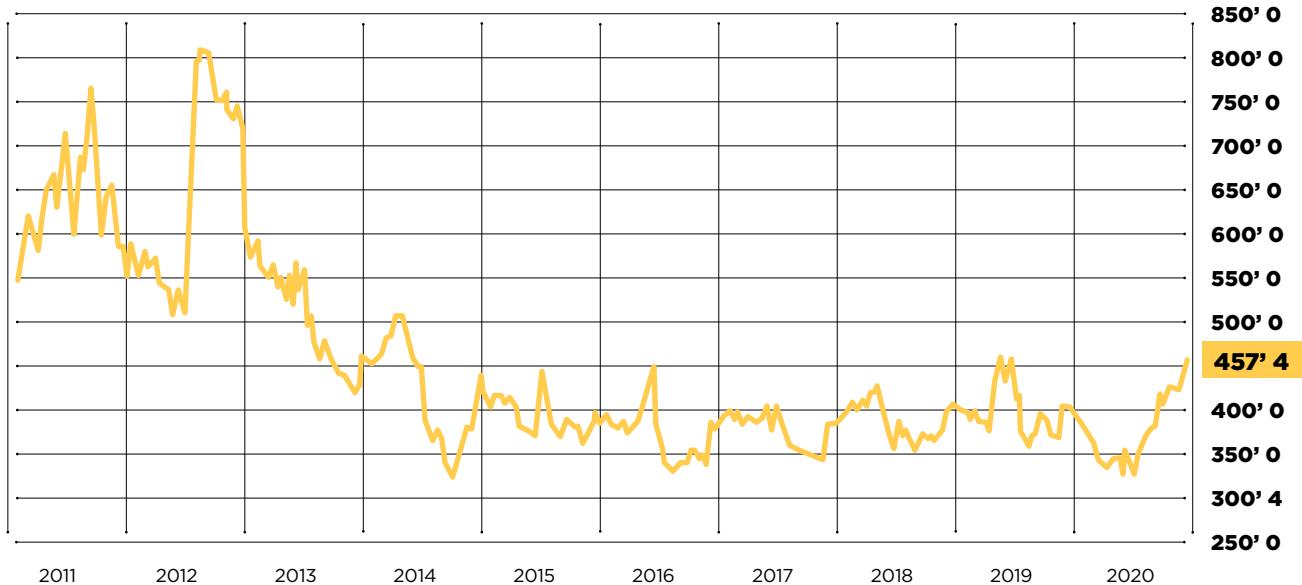


WEEKLY PERPETUAL DECEMBER CORN



BE A SEASONAL SELLER IN 2021

Five suggestions for marketing this year.

By Al Kluis

Just past February, I was in my booth at the Commodity Classic trade show in San Antonio when the news broke of the COVID-19 outbreak in China. My initial reaction was that this would be negative for the energy markets and the U.S. and global stock markets. The farmers coming through the booth were concerned, but not panicking. I updated my charts and studied the history of other market scares.

However, I did not fully realize the huge impact the pandemic would have on the energy, stock, and grain markets. This black swan event – coming the year after the trade war with China – set up another challenging year. However, by the close of 2020, farmers who had a trend-line or better yield in 2020 ended up having a great year.

After 40 years in the grain industry, now I can say I have traded through two grain embargoes, a trade war, and a global pandemic. The huge chart reversals in 2020 tell me the long-term low is in, after the grinding bear markets from 2012 to 2019. I think we are

now entering a time of increased production uncertainty, more weather and production problems, smaller government payments, and much greater price volatility. This will make having (and executing) a marketing plan more important than ever.

Here are five suggestions for this coming marketing year:

1. Make incremental sales. At the 2020 Commodity Classic farm show, the farmers I talked with who had some sales in place (30% to 50% of their 2019 crop sold, and 10% to 20% of the 2020 crop hedged) were more patient. They could wait out the COVID-19 crisis. The other farmers, who had no 2019 crop sold, were scared, confused, and more likely to panic in April, when the news got really bearish.

2. Keep price targets in place. I use charts to find support and resistance price levels. The increase in fund trading and the use of algorithms has changed how the futures markets trade. The old way of waiting and watching does not work anymore. I have

This is the perpetual chart of December CBOT Corn futures. I build this by charting December corn until the contract expires. Then I begin by charting the next December contract. This provides me with a new crop price and profit outlook that can be much different than a regular corn continuation chart. To get to the 2013 high at \$5.50, it will take major weather problems this year.

many customers who place offers to sell a percentage of their crop when a price target is hit. They have only one question once a sale is made: Where do I sell some more?

3. Be a seasonal seller.

Marketing in 2020 was a challenge. First, in April, I had people calling to ask why we had not sold more. Then by November, the question became, “Why did you sell so much?” For the first time since 2012, I came into harvest with corn hedges that were 40¢ to 60¢ below the fall harvest price ▶

WEEKLY PERPETUAL NOVEMBER SOYBEANS



and soybean hedges that were \$1 to \$3 below the current market. I had not sold the entire crop, so my focus was on where to get the last 30% to 50% sold. If selling ahead on the seasonal April-to-early-July rally worked seven out of the last eight years, and 32 out of the last 40, then I am going to be a seasonal seller again in 2021.

4. Use all marketing alternatives. The farmers in 2020 who used a combination of hedges and puts ended up with a higher selling price than the farmers who used only cash sales or hedges. I had several customers who lost 10¢ to 14¢ per bushel on corn puts and 20¢ to 30¢ on soybean puts. The puts provided a floor. When futures exploded higher, they had cash corn and soybeans to sell at that higher price and profit level. (That is how puts work.) I will use a combination of hedges and puts again this year.

5. Learn all you can about marketing this year. Farmers make better decisions when they understand charting, how options work, grain merchandising, and how to put together a complete marketing plan. They make business decisions – not emotional decisions. They do not hit the top, but they

also do not make panic sales. If you do not feel you are able to learn more, then find someone on your farm who is. It could be the best marketing decision you make.

Final thoughts: February is a key month to make grain marketing plans. The USDA releases its Prospective Plantings report at the end of January. By the end of February, you will know the prices at which you can insure your 2021 corn and soybean crops using RP crop insurance.

During the last week of February, I will present my latest market outlook webinar (on the virtual Successful Farming Main Stage) at Commodity Classic 2021. To get more program details, go to my website, kluiscommodities.com/events. 

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.

This is the perpetual chart of November CBOT soybean futures. I build this by charting November soybean contracts until that contract expires. I begin by charting the next November contract. This provides a new crop price and profit outlook that can be much different than the soybean continuation chart of the nearby contract. My initial objective was at \$11.40 where the November 2020 contract went off.

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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