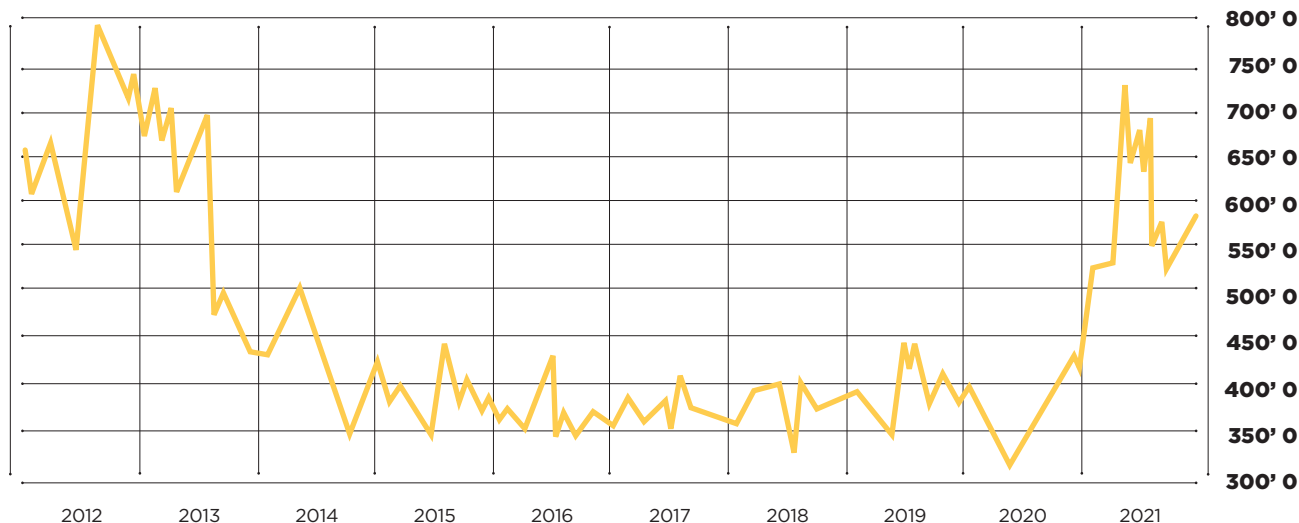


## WEEKLY PERPETUAL JULY CORN



## WATCHING THE WEATHER IN SOUTH AMERICA

This is a key month for South American crops.

By Al Kluis

In January, a very frustrated farmer at a bank seminar asked me, “Where do I get good weather information for Brazil and Argentina? You weather guys cannot even agree on how much rain fell last week.” First, I explained that I was a commodity adviser, not a weather guy, but I do study the weather in South America and follow the forecasts seven days a week. I know that in the past few years the weather in February is very important to the grain markets. That is when we are in the middle of the South American growing season and when weather problems can develop.

Here are three key factors to plug in when you are getting weather and crop updates from South America.

**#1.** The soybean crop area is spread over a long distance. Brazil’s main production area goes from north to south. The soybean belt goes from the northern state of Bahia to the southern state of Mato Grosso do Sul. This is more than 1,100 miles. When you’re looking at weather forecasts, you need to look at the particular area (which states) the forecast is for. This year the weather and crop devel-

opment has been quite favorable in central and northern Brazil. Meanwhile, 1,000 miles south was hot and dry.

Compare this range to the U.S. crop in 2021. The main U.S. Corn Belt goes east to west. I watch the weather all over the United States during the spring and summer, but I really focus on the Interstate-80 corridor from Indiana through Nebraska. In 2021 the weather was favorable and yields were great in the central and eastern Corn Belt, while farmers 100 miles north and west struggled with hot, dry weather.

**#2.** The European and the Global Forecast System (GFS) weather models can spin out very different outlooks, especially when you look at the six- to 10-day and 11- to 15-day forecasts. I usually favor the European model, but it’s not right all the time. Last year (and again so far this year) the local Brazilian short-term and long-term forecasts have been better than either the European or GFS models.

**#3.** You need to have current forecasts. I don’t like working Sunday afternoons or Sunday evenings, but I do when I need to. I find that being aware of the updated forecasts, which come out on Sunday, is very im-

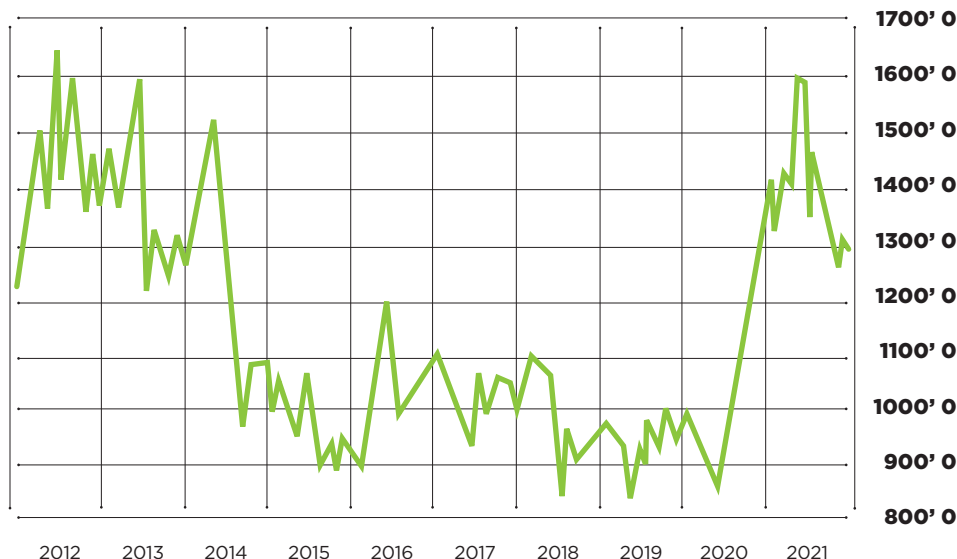
**This chart of July corn futures contracts goes back to 2012 and shows the high near \$7.98 in 2012, the collapse in corn prices to the initial low at \$3.51 in 2015, and then the final major low in April 2020 at \$3.17 per bushel. The price targets I have are at \$6.25, \$6.83, and then the July 2021 corn high at \$7.32.**

portant in the key month of February. (Likewise, I watch the Sunday forecasts in July when we are in the middle of a U.S. weather scare rally.) Trading on Friday’s weather on Sunday night or early in the day on Monday can be a huge mistake.

Those were my weather answers to that frustrated farmer.

However, he was not impressed. It turned out that what he wanted was a bullish forecast because he ▶

## WEEKLY PERPETUAL JULY SOYBEANS



This chart of July soybean futures contracts goes back to 2012 and shows the high at \$16.42 in 2012. Soybean prices dropped to just below \$8.90 per bushel in 2016, then to the major low in 2019 at \$8.09, and the secondary low in April 2020 at \$8.33. The July 2021 contract high came in at \$15.90. The targets I have above the market are at \$13.20, \$14.67, and \$15.90.

to pull the trigger when it's time to act. **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



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still had all of his 2021 crop in the bin.

Once I realized that, I tried a new approach.

Grain marketers should be watchful for inclement weather to happen anywhere in the world that could move the market. I, as a grain seller, need to be prepared to pull the trigger on any weather event that moves the market.

**First**, you have to look at the time of year and the current price and profit level. If it's February, prices are low, news is bearish, and the markets are flat, then I would be patient and see what happens as we enter the U.S. growing season.

**Second**, you have to know that when you're in a bull market, you need to feed that bull every day. (When you get above \$6 corn and \$13 soybeans, you need to feed that bull twice a day.) If prices are high and volatile and the weather forecasts are bullish, then you need to stay disciplined and be ready to sell.

**Third**, you need to watch charts and set key price targets where you will make sales. You need to have a plan. Be aware that if you make decisions based only on what you're reading on the internet, then it always looks bullish at the top, bearish at the bottom. I recommend using charts to make incremental sales. Seeing the numbers in black and

white on paper helps take the emotion out of making decisions.

I use a lot of charts. I keep daily, weekly, and monthly continuation charts. When I get to this time of year, I like to use the July corn and soybean perpetual charts. This allows me to see the gaps that were left from last year, when the July 2022 contracts came on at a large discount to the expiring July 2021 contracts.

Let's look at the corn charts. The July 2022 contract has initial resistance at \$6.25, then at the gap where the July 2021 contract expired (\$6.83), then the July 2021 corn futures high (\$7.32). I do not see the \$7.32 price level as realistic at this time.

For soybeans, the July 2022 soybean chart shows you will have initial resistance in the gap at \$13.20. The July 2021 contract expired at \$14.67 and the high in May 2021 was \$15.90. I do not think that target is realistic at this time.

My frustrated farmer still had one more question. "What if prices don't hit your price targets?" I answered that the best plan is to then make some cash sales each week between early May and the end of June. That is what I call a price and time plan.

Now he has answers, but the rest is up to him. I hope that farmer now has the confidence to make his plan and, most importantly,