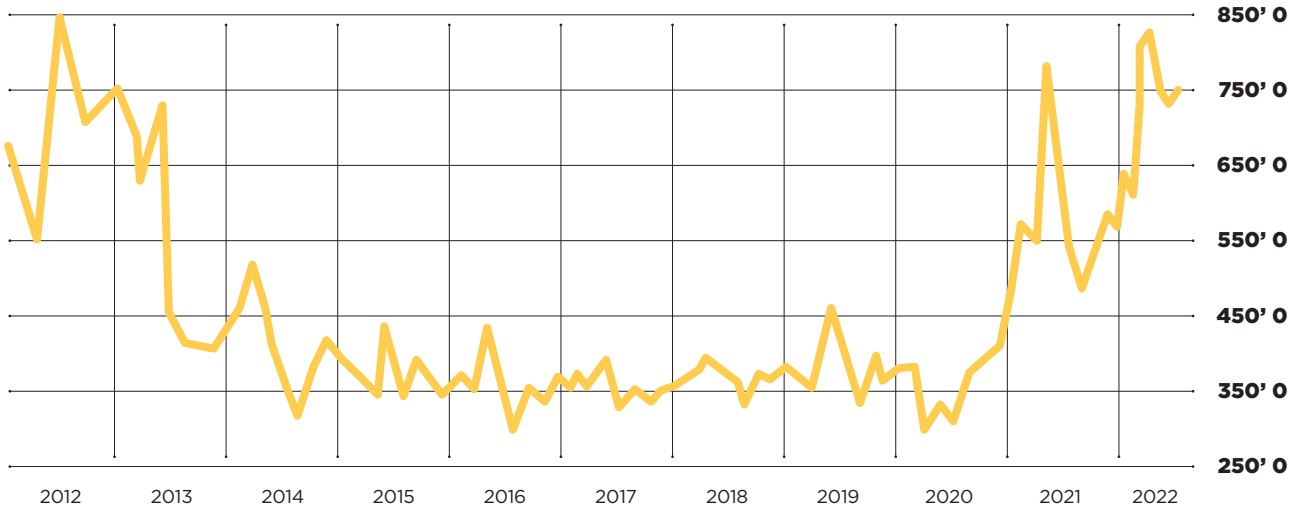
MONTHLY CBOT CORN



SEPTEMBER IS A TRANSITION MONTH

Three key factors to watch.

By **Al Kluis**

September is one of my favorite times of the year. The hot weather of summer gives way to the lower temperatures of fall. Farmers are starting to harvest in the central and southern Corn Belt. Processors move from limited old-crop inventories to larger supplies of the new crop. The early crop will usually go to town, and farmers begin getting the crops in the bin. Harvesting is usually a very satisfying time of year for farmers.

From a grain marketing perspective, September is often a key change-of-trend month. In about 80% of the years, the corn and soybean markets will bottom in late August or early September then base into the secondary harvest lows in October. From the harvest lows, prices usually will rally into late November to early December. Then trade attention shifts to weather and crop development in South America.

This year has been a year of extremes. I keep hand-drawn charts, and one of the tough questions each year is the range of prices I put in the charts. The charts are specially designed to square time and price, and in an ideal world 1¢ per bushel squares with 1 day. The problem is that from high to low I can go up only $1.60 per bushel for corn and wheat. This year I thought it would be volatile, so I built two sets of charts for corn and wheat. The first corn chart went from $5.80 to $7.40. The second one had double the range from $4.80 to $8.00. For wheat I did the same (in hindsight the projected trading range for wheat was far too small). My first wheat chart went from $7.20 to $8.80 and the second one went from $7.20 to $12.00. I got it right for soybeans when I built a chart that went from $13.40 to $19.00.

One of my old rules is that when you go off the top of the chart (especially when it is in April through June) you make some cash sales every day and put on new-crop hedges just 3% to 5% each week. I went off the top of my first corn and wheat charts the week of February 25. Then the week of April 22 I went off the top of my second corn chart when nearby futures rallied above $8.00. I went off the top of the second wheat chart March 11.

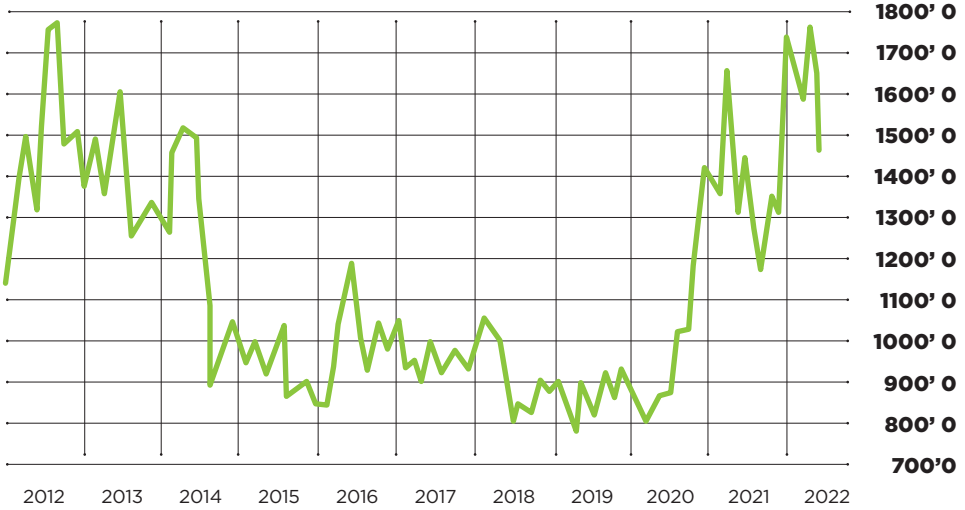
The farmers who made the disciplined sales were well rewarded and those that did the hedging in a hedge account got all their margin money back. From the high in December corn in May to the July low was more than $2.00 per bushel. For December CBOT wheat, the high to low was over $4.80 per bushel, and for November soybeans the drop was $3.00 to just the July low.

Longtime readers know that I spend a lot of time

The monthly CBOT corn continuation chart shows how almost every year since 2012 the corn market is at or very close to the seasonal low in the month of September. Reviewing the corn market over the past 10 years, September was the low for the year (or within 10¢ of the harvest low) in 2014, 2015, 2016, 2019, and 2021.

Chart Source: DTN ProphetX

MONTHLY CBOT SOYBEANS



The monthly CBOT soybean continuation chart shows how almost every year since 2012 the soybean market is at or very close to the seasonal low in the month of September. Reviewing the soybean market over the past 10 years, September was the low for the year (or within 25¢ of the harvest low) in 2013, 2014, 2015, 2016, and 2018.

studying and analyzing charts. I also try to measure the emotion of the market and enjoy answering the phone in the late afternoon when a lot of very concerned farmers call.

In May farmers kept asking how much higher the grain markets would go and what could turn prices lower. July's questions concerned when prices would stop going down and what would signal the bottom. These were not always the right questions. The real key is what works for your farm. When you have good yield potential and high prices, it's a spreadsheet decision of how much to sell and for what delivery time period.

Our focus in September should be on three key factors.

1. Review when the corn and soybean markets put in the high for the year. If the high came in April and May, then odds are good that corn and soybean prices will bottom in August or September. If the highs came in June or July, odds are good that prices will move lower into October to November. From the week of the high to the week of the low averages about 13 weeks but can be anywhere from five to 18 weeks.

2. Watch the September-to-December corn spread and the September-to-November soybean spread. If the September corn futures contract goes off at a discount to the December contract, that low may be the long-term low on the weekly chart. For soybeans, watch the September soybean contract and where it goes off; if the November contract does not fill that gap, it creates a long-term low on the continuation charts.

3. Record the closing price on the last business day of August. Then write down the closing prices on the last business day of September. If the markets are higher, odds are good you have put in a harvest low. If the prices are lower, then do the same in October, comparing the closing price in October to the end of September. This is a very old-school cash marketing indicator. It's a long-term signal and takes away much of the day-to-day noise in the markets.

What does this mean for farmers' marketing plan? In most years holding any cash corn and soybeans into late August or September is usually a big mistake for central and northern Corn Belt farmers. For farmers in the southern Corn Belt, the early harvested corn and soybeans will often command a large premium to the October bids, so storing until the combines are rolling in central Iowa and Illinois can be a merchandising mistake; in September it depends on where you farm and what your basis is.

In the rare years when prices rally higher or up to new contract highs in September, sell the rally. If the market moves lower and prices are near the bottom of the yearly trading range, then it is time to use your storage and hold inventory for the usual November-December rally. 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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Chart Source: DTN ProphetX