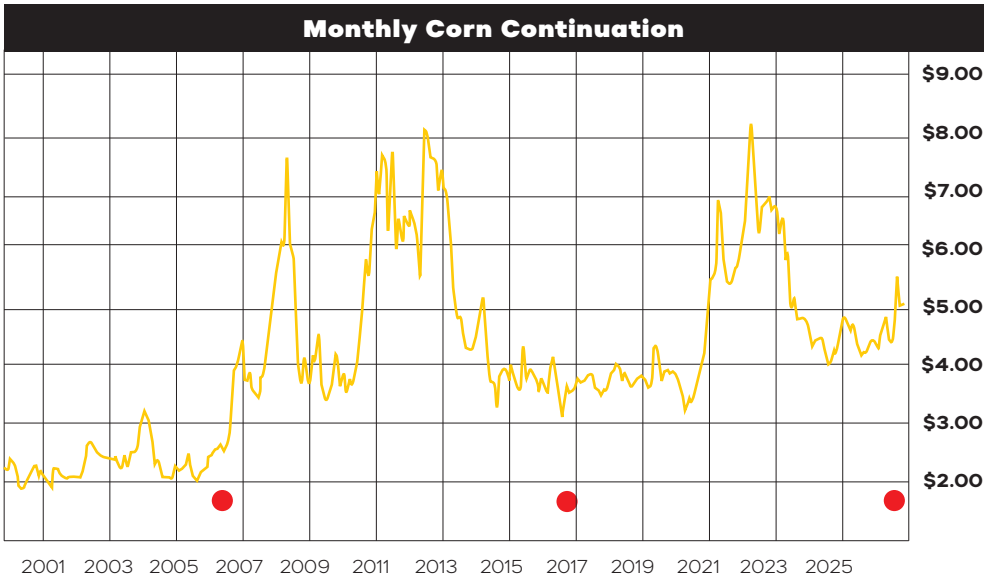
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By **Al Kluis**
Commodity trader, trading grain futures since 1976. Sign up for his daily and weekly reports at **kluiscommodities.com.**



This is the 25-year monthly continuation chart of CBOT corn. You can see the major lows in corn prices in 2006, 2016, and June 2026. From the low in 2006, prices moved much higher into early 2008. The low in 2016 was followed by a four-year trading channel, with the market bottoming in 2020. Today's chart looks a lot more like the 2006 low, giving us the expectation of higher prices into 2028.

When Will 'Demand Destruction' Start?

What to watch for and what to do.

This has been an unusual year. The seasonal rally and the plan to sell cash corn and soybeans and get some new crop hedged ahead in April and May worked, with prices moving lower until late June. Then, for several reasons, corn and soybean prices soared, right into harvest.

As July 2027 corn rallied to over $5.60 and July 2027 soybeans rallied to over $13.50, I got this very good — and very tough — question from a farmer: "When will we see 'demand destruction' that turns corn and soybean prices lower?"

What Is Demand Destruction?

Demand destruction develops when customers make fewer purchases because of high prices, or new access to alternative supplies. A classic example: When consumers face $5-per-gallon gasoline, they cancel vacation travel and start taking the bus to work. Another real-life example from 2026: When mortgage interest rates moved higher, so did monthly home payments, and demand for new housing fell.

Detecting demand destruction in the corn and soybean markets is more challenging. When the farmer asked me his question, I hadn't seen any. Weekly export sales were strong, soybean crush margins were at historically high profit levels, and ethanol processors were making excellent margins. At the same time, Europe was going through a major drought, and hot, dry conditions were lowering yield potential in the U.S. The war between Russia and Ukraine continued to shut down the Black Sea grain export corridor, so no large alternative supplies were available.

As of early October, I still haven't seen demand destruction kick in. But, how will we know when it starts? I'm watching these three basic factors that can signal demand destruction:

1. Grain sales and use: I will continue to watch the USDA Weekly Export Sales reports. Are we on pace to hit or exceed USDA projections? I will watch the monthly National Oilseed Processors Association (NOPA) Crush Report, and the weekly Energy Information Administration ethanol production reports. I look at the one-month trends in these reports to take some of the speed bumps out of the weekly reports. As of early October, I do not see any demand destruction.

2. Alternative supplies: I will be watching weather forecasts and crop development in South America. As of early October, Argentina is OK, but Brazil is off to a challenging start. It is too early to make any accurate crop size forecasts, but if the Super El Niño weather pattern continues, then it suggests lower yields for Brazil's 2027 corn and soybean crops. I will revisit that forecast in February 2027.

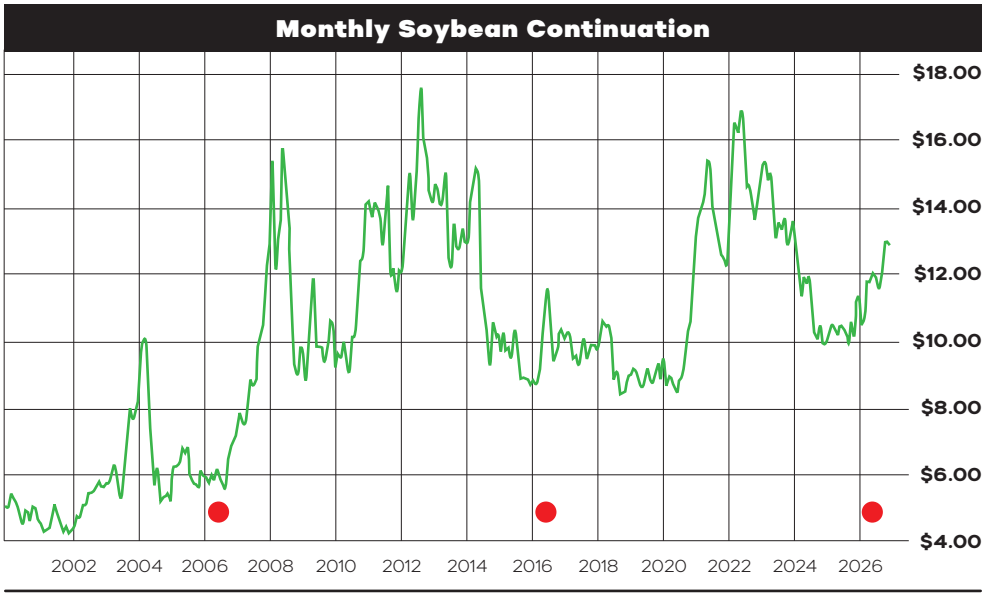
A total South American crop that is larger than 2026's crop will take prices lower. Likewise, if any major weather problems arise, the forecast for smaller supplies out of Brazil will be very bullish.

3. Charts: I admit that trying to figure out the pace of demand and analyzing alternative supplies is hard. I find it beneficial to pull out my long-term charts. My ➔

Source: Barchart

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Listen to Al Kluis' marketing insights on the Successful Farming podcast **the third Monday of each month.**



This is the 25-year monthly continuation chart of CBOT soybeans. You can see the major lows in soybean prices in 2006, 2016, and June 2026. From the low in 2006, prices moved much higher into early 2008. The low in 2016 was followed by a four-year trading-range-type market, with soybeans bottoming in 2020. This again looks a lot more like the 2006 low, with high probabilities of higher prices into 2028.

studies suggest that the June 2026 lows in corn and soybeans are major long-term lows. I can see several years of higher highs and higher lows. The lows came in very early in 2026, when prices bottomed out in June, compared with major lows in corn and soybeans in August of 2024 and 2025. History suggests the highs for 2027 will also come in earlier.

Meanwhile, what can you do?

Review Your Positions

As of early October, I have sold 30–50% of the 2026 crop corn and soybeans, and 50–60% of the 2026 wheat crop. If you need to catch up, use any rally that gets within 10¢ of the September highs to make those sales.

I am very optimistic on cash-based levels and see the potential for higher futures prices. How high can prices go? And when will that happen? This depends on weather and crop development in South America, and the growing season in the Northern Hemisphere.

Make a Price Plan

I like selling out to July 2027 contracts for corn and soybeans since I expect some much-improved basis levels next spring and summer, especially in the western Corn Belt. My initial price target for 2027 July CBOT corn futures is $6.18. For soybeans, my price target using the July 2027 CBOT soybean contract is $14.45. If these targets are hit, then that will most likely be due to weather problems in Brazil. However, the news on the internet will be very bullish, and it may be hard to pull the trigger. Stay disciplined and prepare to make sales when you hit your targets.

Make a Time Plan

Because the grain markets bottomed in June, I recommend more cash sales after harvest, in late November to early December. I want to get at least 50% of my cash corn and soybeans sold by December. Try to get into a cash position so you do not have to sell any more grain until May through July 2027. Many of you will need to sell more than 50% to get into that position. But I want to avoid cash sales in late February through early March.

Work on a New Marketing Approach

Earlier this year, I wrote that the trend was turning and that I expected higher grain prices and better pricing opportunities. I was surprised at how far and how fast the markets moved off the June lows. The key now is not to just look at prices but also to put together a plan for your farm that is based on revenue per acre. When you hit your per-acre profit target, the question should not be if you should sell but how much. Having that marketing plan in place works much better than trying to follow the latest hot hit on the internet. If you learn how to make scale-up sales on the way up, then you do not have to sell when prices collapse. •

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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