

YOUR PROFIT

By Al Kluis

July 2016 CBOT Corn



This is the July 2016 CBOT corn chart. You can see the major low at \$3.88 on June 15, 2015. From that low, prices rallied 82¢ in 20 trading days to the high on July 2015 at \$4.70. Prices then fell 90¢ per bushel to a new low on August 12, 2015, at \$3.80. Prices then went into a trading channel between \$3.90 and \$4.20 into the harvest of 2015.

FINE-TUNE YOUR 2015 MARKETING PLAN

USE BOTH PRICE AND TIME TARGETS.

Two questions come up at every farmer meeting I speak at. The first question: “Where can prices rally to next spring and summer?” The second question: “Will it pay to store? There might be huge crops in the U.S. and South America.”

Before I answer the two most-often-asked questions, I want to reiterate some basic strategies. Because grain prices are down and profit margins are tight, making the right market decisions is more important than ever. The decisions you make can have a huge impact on farm profits. Here’s how you can make those tough decisions.

To start with, take a long-term historic look at the grain markets. Stay aware of what the markets are doing every day but don’t react to the news each day. The news is always very negative when prices are bottoming and very bullish when

prices are high. Stay disciplined and try to avoid the emotional roller coaster.

I watch my charts and follow a series of rules I have developed over the last 42 years. Part of my routine is to open my chart cabinet and bring out my corn and soybean charts. Just updating my hand-drawn charts each day helps me focus so I can develop a feel for the market trends. Most important, my chart studies let me set specific price targets.

Now to address those two frequently asked questions at my meetings.

QUESTION #1: WHERE CAN PRICES RALLY TO NEXT SPRING AND SUMMER?

Look at the chart of July 2016 CBOT corn futures above. My long-term chart cycles project higher corn

prices by next spring and summer. The chart shows the mid-June low, the seasonal rally to the \$4.70 high on July 14, 2015, and the collapse after the bearish USDA report (August 12) when prices bottomed at \$3.80. From that low, prices put in a textbook “M” low on the chart.

What does this tell you? What are the price targets where you are willing to sell some corn? The July 2016 corn chart will have resistance at \$4.25, then at \$4.50, and finally at \$4.70. Consider selling 10% to 20% of your 2015 corn crop at each of those price targets.

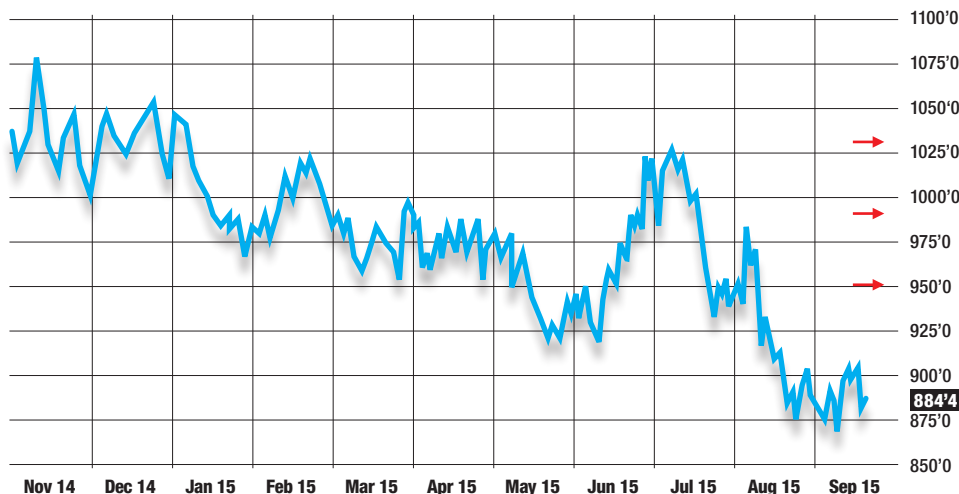
I’ve encouraged you to have 50% of the corn sold prior to harvest, so if all three price targets are hit, you would get to 80% to 100% sold using this plan.

I have learned to avoid even numbers when I am placing offers. (In other words, make an offer at \$4.48 not \$4.50, and so on.)

If prices keep moving higher, don’t look backward. Instead, plan on getting more 2016 crop sold ahead. Be more concerned with hitting the price targets than with prices that keep moving higher.

Don’t plan to store many ▶

July 2016 CBOT Soybeans



This is the July 2016 CBOT soybean chart. You can see the major low at \$9.16 on June 15, 2015. From that low, prices rallied \$1.15 per bushel in 20 trading days to the high on July 2015 at \$10.31. Prices then fell \$1.65 to a new low on August 12, 2015, at \$8.66. Prices put in a double bottom with that low on September 11, 2015. From that low, prices went into a trading channel between \$8.70 and \$9.20 into the harvest of 2015.

soybeans all the way until July. The July 2016 CBOT soybean chart above shows the low on June 12, 2015, then the rapid weather scare rally to the high at \$10.30 on July 14. From that high, prices fell to the initial low at \$8.66, then rallied back to just over \$9 with the futures making a textbook “M” low. The price targets above the market are at \$9.50, \$9.90, and \$10.30.

Again, don’t use even numbers when you put in your price targets. Have offers in 5¢ below each of those price targets to make cash sales of 10% to 30%. If you had 30% of the crop sold prior to harvest and if these targets are hit, you would get 60% to 100% of the 2015 cash soybeans sold.

So, when are grain prices likely to rally up to these targets? Focus on two key times when a weather scare might develop.

The first key time is during the South American crop season. In South America, January is like July in the Midwest and February is like August in the Midwest. Therefore, the first possible weather scare could develop this winter.

The second key time is between May and August when there is the potential for crop scares in North America. For the month of November, watch for

strong weekly export sales and a rapidly improving cash basis.

QUESTION #2: WILL IT PAY TO STORE?

With the current low price of corn and soybeans and the wide cash basis levels, storing corn and soybeans into the spring and summer of 2016 is likely to work. If you can only store one commodity, then I am more optimistic on corn prices next year than soybeans.

LESSONS LEARNED

In 2015, I learned that weather scare markets that go straight up (like the corn and soybean markets did this summer) tend to go straight down when the scare is over. Farmers who were disciplined scale-up sellers on that rally looked really good at harvest.

With my charts, I’ve learned to give the first two price targets for corn and soybeans a greater than 50% chance of getting hit.

The highest price target has about a 30% probability of getting hit, but it will take a major weather scare in either South America or the U.S. next spring and summer.

I encouraged one particular farmer at one of my meetings to use this suggested marketing plan on 50% of his crop and then see if he could devise a plan to beat it. If he does, he is likely to have a profitable year. **S.F.**

NOTE: Trading of futures and options has substantial financial risk of loss and is not for all investors.

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 “Al Kluis Report” by going to alkluis.com.



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