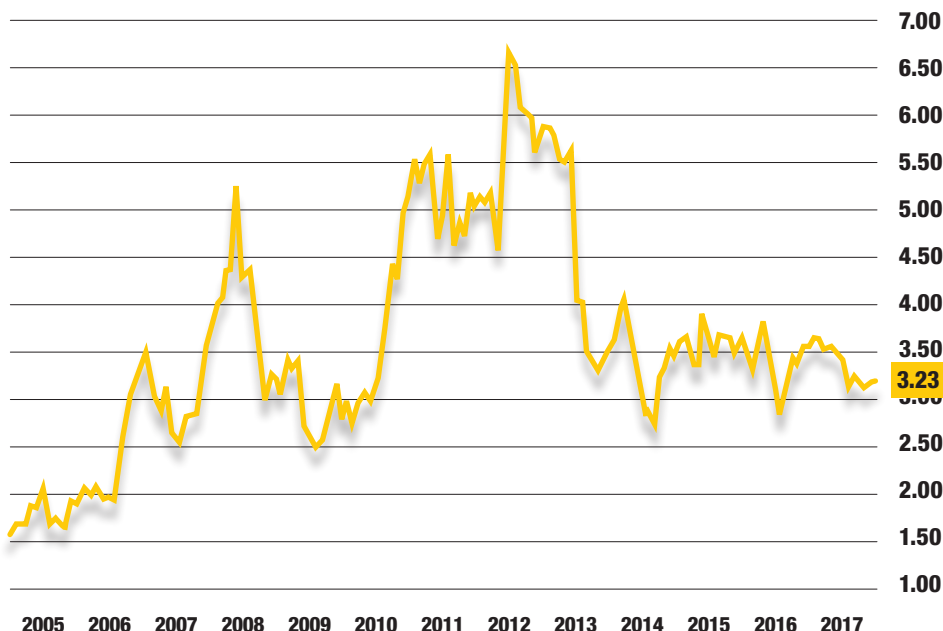


By Al Kluis

International Perceived Price of Corn Monthly



I build this chart by multiplying the nearby CBOT futures price of corn by the current U.S. dollar value. This shows the price that global customers are paying for U.S. corn, and it factors in the strength or weakness of the dollar. The recent 10% drop in the U.S. dollar has made our corn export price very competitive in the global market.

have minimum impact on U.S. and global wheat futures prices.

For global feed grains, the news and the fundamentals are a little better. Global demand is growing by about 1.5%. The U.S. is the dominant nation in the world in corn production with about 28% of the world's production and nearly 50% of the global trade.

Global ending stocks have been moving lower for the last three years. Production problems or even a major weather scare in the main U.S. Corn Belt will have a large and sudden impact on corn prices.

The good news: soybeans.

Global soybean demand is increasing by 3% a year. South America (mainly Brazil and Argentina) produces more soybeans than the U.S. The area has had two years of great crops to add on to record harvests from the U.S. But even with these large supplies, soybean prices have held much better than corn and wheat.

Global ending stocks are virtually unchanged from three years ago. In addition, the stocks-to-use ratio is getting smaller. The U.S. produces 22% of global oilseeds and has about 35% of global exports.

GLOBAL DEMAND REMAINS STRONG

U.S. CORN AND SOYBEAN PRICES REMAIN COMPETITIVE.

Here is the first question I got this winter at a seminar in Illinois: "Al, you taught me a long time ago that the cure for low prices is low prices. But how much longer am I going to have to wait for the cure?"

I had to admit that the grain market has been moving lower for longer than I thought it would. On top of that, last year's rally in the corn market was the smallest seasonal rally since 2005. Wheat prices have also gone (and stayed) lower than I had expected. Some wheat farmers in the Southern Plains were able to lock in an LDP at the harvest low in 2017.

Still, I had an answer for that farmer, and it was based on several of the marketing tools I've used for the last four decades; namely, my global supply/demand reports, U.S. supply/

demand reports, and my long-term charts. These are the same tools I use each year when I put together my long-term market plan.

Demand is growing, yes, but so has production in many areas of the world.

A LOOK AT SUPPLY/ DEMAND

Let's start with a look at my analysis of the long-

term global and U.S. supply/ demand. I have good news and bad news.

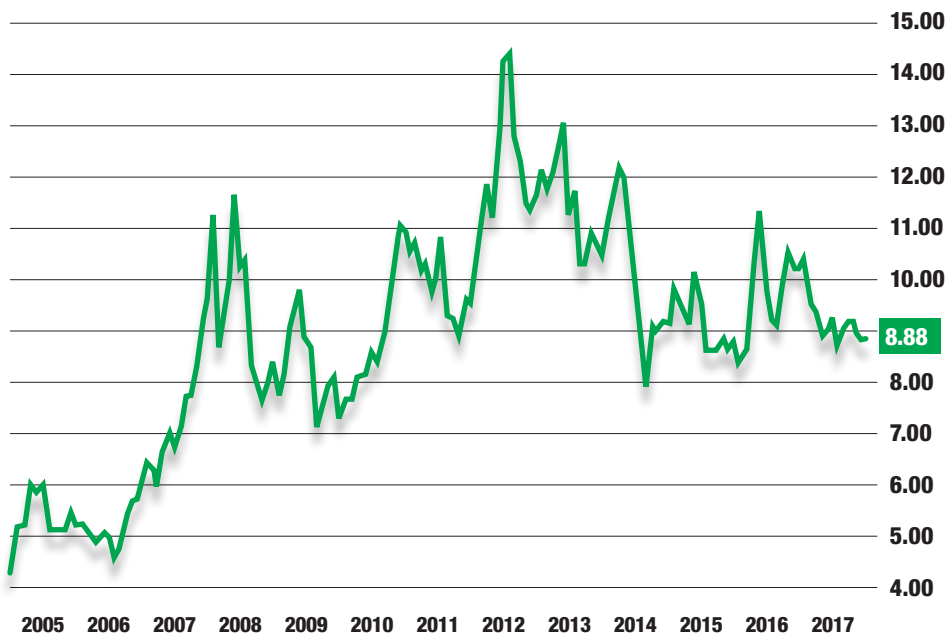
The bad news: wheat.

Global wheat demand is increasing by just 1% each year. Demand is growing, yes, but so has production in many areas of the world.

The U.S. percentage of the global wheat exports is down to just 14% and is moving lower. If wheat prices are going to turn higher and return to a decent profit, then it will take production problems in both Russia and Europe.

Global ending stocks have started to move lower but are still huge. As a result, a smaller crop in just the U.S. could impact basis bids and protein bids, but it would

International Perceived Price of Soybeans Monthly



I build this chart by multiplying the nearby CBOT futures price of soybean by the current U.S. dollar value. Soybean futures have dropped in recent weeks. The lower CBOT futures price and the 10% drop in the U.S. dollar over the last 13 months have dropped U.S. soybean prices down to within 4% of the major lows made in 2014 and 2016.

The U.S. is not as dominant in soybeans as it is in corn, but with record oilseed demand and relatively low global ending stocks, any weather problems this summer will create a volatile rally back in the soybean market.

A LOOK AT MY LONG-TERM CHARTS

What do my long-term charts tell me? Let's start with corn. Corn prices – especially in international terms – are very cheap. Corn prices are within 2% of the lows made in 2009, 2014, and 2016. The other long-term observation is that prices have held a higher low each of the last three years.

The good news is, eventually this will result in a higher high on my long-term chart. In this basing type of market, the longer the base, the better the reward.

SEE AL KLUIS LIVE IN ANAHEIM

Be sure to catch Al Kluis at the 2018 Commodity Classic Main Stage in Anaheim, California, on Tuesday, February 27 (12:15 p.m.), and Wednesday, February 28 (2:30 p.m.).

For soybeans, international soybean prices are also really cheap. Even with record supplies, soybean prices have held well above the lows made in 2009 and in 2014.

The long-term soybean chart since 2014 shows a series of higher lows. I am watching for a close above the two previous months' high on this long-term chart to confirm a major low in the soybean market.

HOW MUCH LONGER?

To answer that farmer in Illinois who wanted to know how much longer he's going to have wait for the cure: It will take some more patience (and endurance).

I do not forecast an instant rally back to the prices and profits of 2011 through 2013. However, I do anticipate a combination of lower input costs, higher yields, and a slight increase in prices. This will create a gradual improvement in farm profits.

If we get the normal 40¢ to 50¢ seasonal rally in corn, 60¢ to 80¢ in wheat, and \$1 per bushel in soybeans this summer, then your 2018 bottom line may be better than you expect at this time.

Hang on a little longer and you will get some reward in 2018.

Meanwhile, I hope to see you at the 2018 Commodity

Classic in Anaheim, California. I will be speaking at the trade show on the Main Stage on Tuesday, February 27, at 12:15 p.m. and again on Wednesday, February 28, at 2:30 p.m.

Between talks, I will be at the Successful Farming booth, and I would enjoy meeting you face to face. Bring me your questions and let's talk about your farm and your future. **SF**

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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