

# YOUR PROFIT

By Al Kluis

## CBOT Corn Weekly



This is the weekly CBOT corn continuation chart. You can see the nearby corn prices for the last two years. You can also see how corn prices have put in the usual seasonal high in the April through July time period and the lows have come in between late August and early November.

## JULY IS THE KEY MONTH FOR CORN PRICES

HERE ARE THREE KEY CONCEPTS TO USE ON YOUR FARM.

**T**his summer marks year 44 that I have traded corn. I was fortunate to have several mentors and veteran traders who helped me learn how to chart, how to place orders, and how to develop money-management tools. I learned some key concepts during those early years that I use to this day.

The very first year I started trading, I made good money. Of course, being young and feeling rich, I decided I was so smart I did not need to use the rules my teachers had showed me.

Then I started to lose money. After two years of losses, I decided to write out the rules I had been given, and I use them all the time.

Don't let this slide happen to you. It's easy to slip. If you aren't disciplined 100% of the time, it's easy to make money for several months and then give it all back in one week. Write down the rules and update them as conditions change. This has helped increase my consistency.

If you'd like to get a summary of my corn and soybean sale recommendations over the last three years, email a request to [info@kluiscommodityadvisors.com](mailto:info@kluiscommodityadvisors.com). You'll see that my recommendations follow the rules I write about in this magazine column.

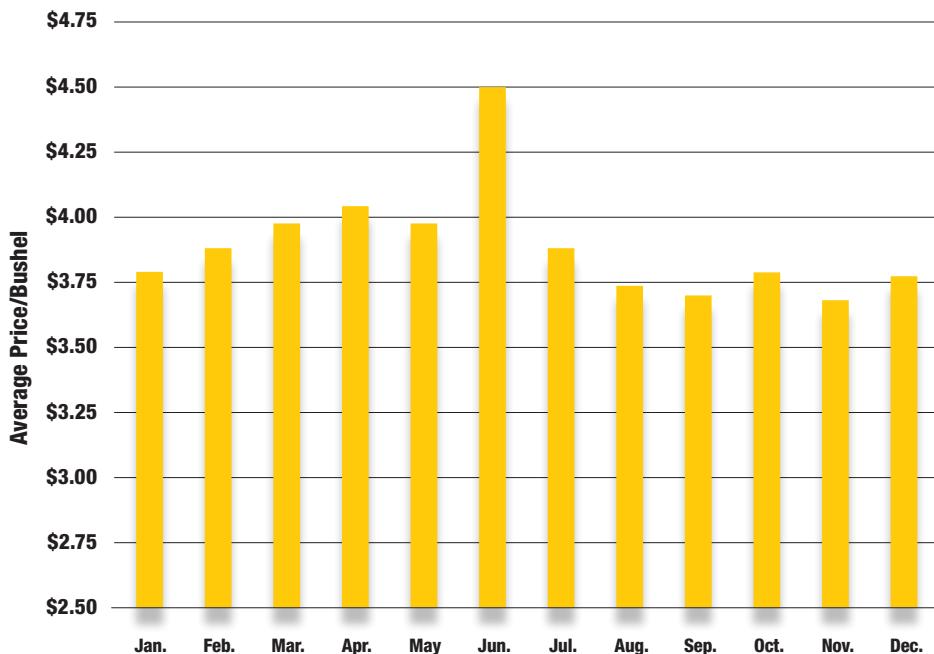
**Here are three key concepts my teachers showed me. I use them to this day.**

**1 Be a seasonal trader.** When I am working with farmers to get their corn and soybeans sold, I am usually making cash and new-crop sale recommendations from April through early July. This is the time of the greatest amount of weather uncertainty. Often, it provides the best opportunity to sell out cash inventories and get new-crop hedges in place. I also then avoid making cash sales or placing new-crop hedges between August and October. That is usually a great time to buy. Note how the corn market bottomed in both 2016 and 2017 on the last day of August. It set up a great time to buy but a really bad time to sell corn.

**2 Watch for key change-of-trend weeks.** I have identified six key weeks during the year when I have watched corn and soybeans put in a major high or low. For corn and soybeans, two of the key weeks I watch for a high are the week before Memorial Day and the week of July 4. If the markets rally into those two change-of-trend weeks, I will stay disciplined and make sales – even if the news is bullish. If I have livestock customers, I will be watching for a place to buy corn and soybean meal in the first week of September and the first week of October each year.

**3 Be aware of contrary opinion and don't be a victim of it.** Contrary opinion is the theory that the news and most traders are bullish at the top and bearish at the bottom. Think back ▶

## Seasonal Corn Prices Five-Year Monthly Average



to August and September of 2012 when prices were at all-time highs. You could read forecasts for \$10 corn and \$21 soybeans every day somewhere on the internet. Then fast-forward to August of 2016 when nearby corn traded at \$3.01. It was hard to find any bullish news. Part of my trading losses in years two and three was (with perfect hindsight) that I was reading too many opinions and not making decisions using my rules and my charts.

As the markets have changed, I have had to adapt my rules. The largest change I have witnessed in the last 40 years is the increasing competition from South America. We now have two major crop-growing seasons and two critical weather-scare seasons to trade through. February

and March used to be dead/boring months in the grain markets. Not anymore.

Now, if weather problems develop in South America, we can get good selling opportunities in March. This is a lot different than my first 20 years in the grain trade when March was almost always a low.

Another big change is how China has developed into the world's largest soybean importer. Strong demand from China has created a base of demand that has kept soybeans trading at over \$10 per bushel even in years when the U.S. harvests a 4-billion-bushel crop.

This year, with the weather problems and smaller corn and soybean crops out of South America, the corn and soybean markets will be very weather-sensitive during the U.S. growing season.

Here are three suggestions on how to handle what is likely to be a very volatile year in the grain markets.

**1. Put a marketing team together.** It's best to share ideas and the stress of making marketing decisions. By doing this, everyone on your farm knows where you are at in your marketing.

**2. Make incremental sales in 10% increments.** It takes the stress off and usually results in a better average price than the one-shot-at-the-top method.

**3. Use all of your marketing tools.** Using a combination of hedges, puts, and cash sales will give you a lot of flexibility.

### FINAL THOUGHTS

For the first time ever, it was 100°F. in Minneapolis on Memorial Day 2018. I think this is

**This is the summary of what nearby corn futures prices have done over the last five years. The major lows the last two years in late August and the slow price recovery by next spring and summer have been very reliable price patterns the last few years. I have put together this seasonal study for over 40 years and the one change is that March is no longer the worst month to sell. In the last few years, it has been August.**

going to be a very challenging year in the corn market. I will be carefully watching the USDA Crop Progress Report each Monday.

If corn ratings are going higher in the month of July, then it usually results in a better-than-trendline yield. If the ratings are moving lower, then it sets up lower yields and the potential for higher prices. **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](http://alkluis.com).



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