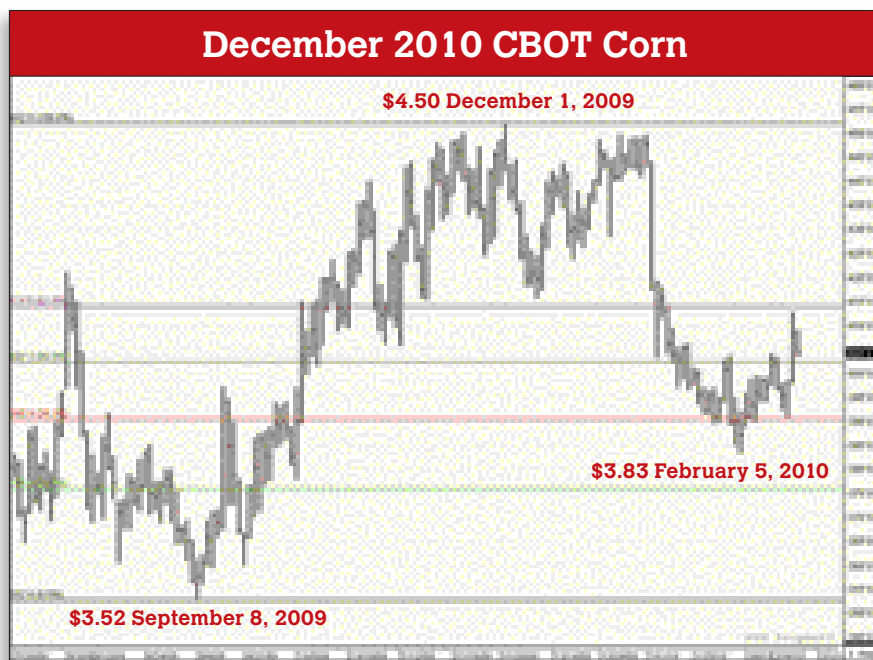


3 Scenarios For Prices In 2010

Focus on making the right decisions for your farm.



meal. This will be more challenging in the years ahead.

The projected ending stocks for corn are at 1.968 billion bushels, up about 150 million bushels from last year. If this develops, then odds would favor a lower high and lower low for 2010 corn than we had in 2009.

For soybeans, the projections show a large potential increase with ending stocks jumping to 269 million bushels. This would be 50 million bushels more than last year, which is a 28% increase from 2009. This, again, sets up the potential for lower prices this fall.

I mainly use price charts to make sales decision, but I stay aware of the long-term fundamentals when I decide how much of which commodity to grow and store. This year I want to make sure that the farmers I work with do not have to sell any corn or soybeans in the August-October time period.

Regarding the third question, it boils down to knowing how much of your new crop corn and soybeans you should sell ahead and when. I cannot offer one right answer for all, but I can provide guidelines of how much to sell and when.

Before I can answer the question, though, I need more information. Here are seven key questions I ask when I'm putting together a marketing plan.

1. What is your cost of production?
2. What is your income goal?
3. Do you have CRC crop insurance?
If so, at what level?
4. Can you store your entire crop?
What percentage do you need to have sold prior to harvest?
5. When do you need the money from the crop?
6. What is the historic basis pattern for your area?
7. Do you use futures and options? ➤

2008-2010 U.S. Corn Crop Outlook

In Million Bushels And Million Acres			
Scenario	2008	2009	2010
Carry In	1,624	1,673	1,719
Planted Acres	86.0	86.5	89.5
Yield	154	165.2	160.9
Total Supply	13,739	14,834	14,968
Total Use	12,065	13,115	13,000
Carry Out	1,674	1,719	1,968
Stocks/Use	13.9%	13.1%	15.1%
Days Of Use	51	48	55

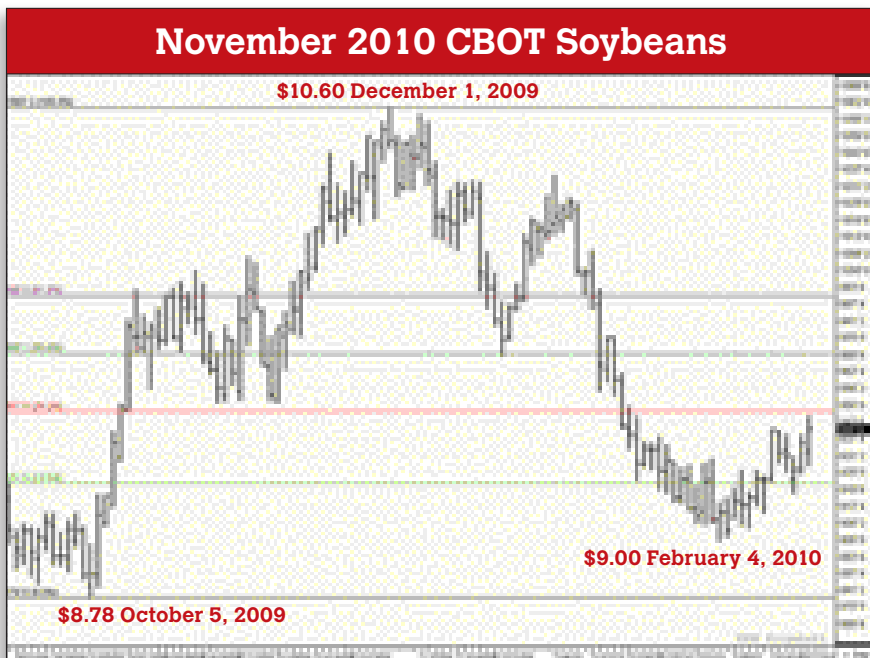
Regarding the first question, I've read a lot about the debt problem in Greece and the turmoil it has created for leaders in Europe. I cannot fully understand these complex problems and I do not have any solutions to offer. However, the U.S. economy has started to improve, and recently hog, beef, and dairy farmers have been able to put on some hedges to lock in positive returns for the next three to six months. The

improvement in livestock profits is a big first positive step for the long-term price outlook for corn and soybeans.

Regarding the second question, I am very concerned with inflation (not deflation) and the impact it will have on farm input costs and farm profits in the next several years. A large part of my weekly Al Kluis report is dedicated to making input recommendations on when to buy fuel, fertilizer, feed corn, and soybean

With the economic problems in Europe and the huge losses in the hog, beef, and dairy industries, can the grain markets stay profitable? Are you worried about inflation or deflation? How can you make the right decision with all of these mixed signals?

These were three questions that came up at a seminar in late February from a worried young farmer.



take prices higher into April-July with futures taking out \$10 briefly on a fast rally before dropping into the harvest lows that could take November futures below \$8.

What To Do

Stop worrying. In looking ahead, I am not going to worry about what is going to happen in the Greek bond market, or the value of the Euro, or what crude oil or gold prices are going to do. I cannot control any of those factors.

However, I can control the three key price risk-management decisions on my farm. I have already bought my CRC crop insurance at the 75% level for my corn and soybean crops.

I have 30% of the corn hedged ahead at over \$4.50 per bushel. And once the crop is planted, I will get another 30% hedged if I get another selling opportunity at over \$4.40. By the end of June, I will have 80% to 100% of my crop protected with a combination of hedges and puts.

For the November 2010 soybean crop, I have 30% hedged at over \$10.30 per bushel. I will get another 30% hedged on a return rally to \$9.90. And by the end of June, I will have 100% of my projected crop protected with a combination of hedges and puts.

My recommendation is to focus your energy on the factors you can control and write out and execute the plan that is right for your farm. □

2008-2010 U.S. Soybean Crop Outlook			
In Million Bushels And Million Acres			
Scenario	2008	2009	2010
Carry In	205	138	190
Planted Acres	75.7	77.5	78.0
Yield	39.6	44.0	42.9
Total Supply	3,173	3,507	3,469
Total Use	3,063	3,297	3,200
Carry Out	110	210	269
Stocks/Use	3.6%	6.4%	8.4%
Days Of Use	13	23	31

and it would be devastating to the ethanol and livestock industries.

2 The Bear Market-LDP Scenario. The combination of record corn acreage, ideal growing conditions, and reduced demand drops corn and soybean prices below the loan level and farmers again are trying to pick the ideal day to lock in the lowest price and largest loan deficiency payment.

The odds of this are less than 1 in 10, and this would be devastating to net farm income and land values.

Following are three (of many different) price scenarios that could develop this year.

1 The Rally-Through-The-Roof Scenario. In this scenario a late wet spring is followed by a hot dry summer. Corn futures explode back to the \$7-\$8 price level, soybean futures get back to \$16 per bushel. This could be good news if you are in an area with above-normal yields and get the crop sold on the rally.

The odds of this are less than 1 in 10,

3 The Seasonal Price Scenario. This would create market action similar to the last two years. This is my most-likely 50% scenario. In this scenario, December 2010 corn futures top out between April and early July with futures at the \$4.40-\$4.90 price level and then drop back to less than \$3.50 by harvest.

For soybeans, the round-trip would

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