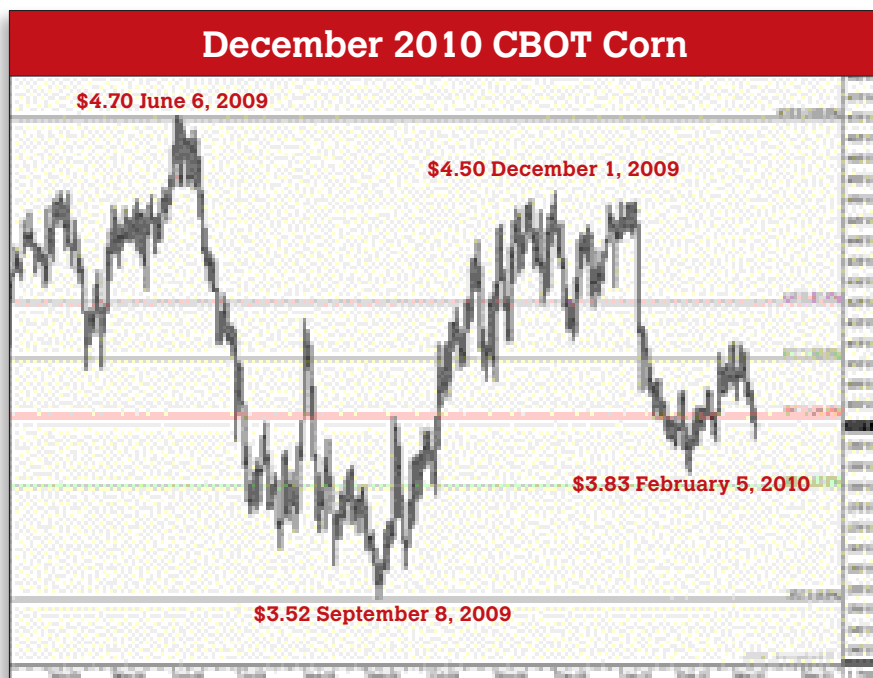


Create A Successful Marketing Plan

Here are three yield/price scenarios for 2010.



more revenue and still have a safety net that was appropriate for their farm.

Hedges

When to hedge and how much to hedge are two important questions that you need to make during the 24 months before you harvest the crop and for the six months you hold the crop in storage. I will not make hedging decisions based on my crop size or what is going on in my county. I make decisions based on what the national yield forecasts are and any changes in the projected U.S. ending stocks numbers.

Puts

I will use puts in combination with hedges depending on the price level that futures are at and the total number of bushels that I want to get price protection on prior to harvest. If prices are at or below my cost of production and I need price protection into the harvest, I will use puts to protect against lower prices.

To know when to hedge, how much to hedge, and if I should use puts, I will usually look at the following three crop yield/price scenarios.

1 High Yield/Low Price

Evaluate the different yield scenarios and pricing strategies for corn. If the most recent USDA projections on acreage and yields that suggest 161 bushel per acre yield or higher are correct, then odds are good you will have prices that are lower than the lows posted in September 2009 at \$3.00 per bushel. In that scenario, if you harvest a large crop and have a large portion of your corn crop sold ahead, you will have a profitable year based on the total dollars you are able to generate. >

Corn: 2010 U.S. Yield Scenarios

In Million Bushels And Million Acres

Scenario	Below Trendline Yield	Trendline Yield	Above Trendline Yield
Carry In	1,799	1,799	1,799
Planted Acres	89.5	89.5	89.5
Yield	156	161	168
Crop Size	12,845	13,249	13,833
Total Supply	14,644	15,048	15,632
Total Use	13,015	13,015	13,015
Carry Out	1,629	2,033	2,617
Days Of Use	46	57	73

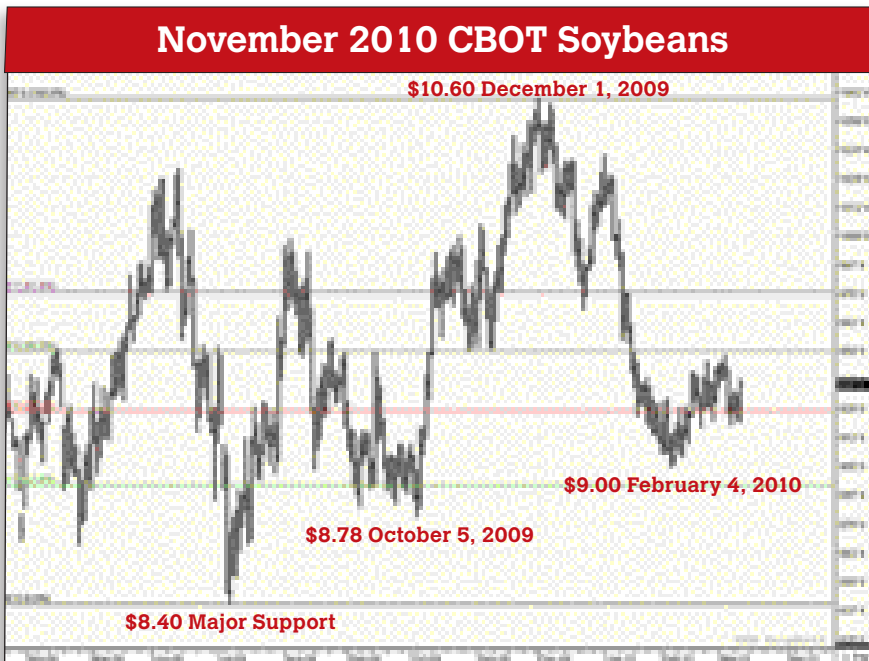
you make better decisions. I don't know what your yields will be or what prices will be at harvest, but I do have some suggested strategies that you can use to create a risk-management plan. You have already made your crop insurance decisions, now you need to execute a hedging program that will lock in prices and minimize risk.

Crop Revenue Insurance

If you thought you would have trouble getting planted on time or would likely file a claim, then the 80% to 85% policy would be the right policy for your farm. If you have rarely collected on a CRC claim and have a farm with great yield potential this year, then change would be the logical choice. Many of my customers used a combination of CRC, hail insurance, and puts. This allowed them to lock in

How do you know how big your crop will be? What level of crop insurance should you buy? What will prices do? How much do you sell ahead? This is a critical time when you need to address all these questions.

I can't provide all the right answers, but I can give guidelines that will help



you would not collect on any of your CRC insurance policies.

3 Low Yield/Low Price

The third scenario is for a small crop on your farm, as U.S. soybean farmers harvest a record or near-record crop. Having your crop hedged and being able to collect on your CRC insurance will keep you farming. The small crop/low price scenario can be fatal for those who don't have the right risk-management plan.

The question on what price level to sell ahead at is one that every corn and soybean farmer needs to make some decisions on in the May-June time period. For December 2010 corn, the price targets that I have offers in at are at \$4.20, \$4.50, and \$4.70. For soybeans the price targets are at \$9.50, \$9.90, and at \$10.20.

If these price targets are not hit, then I will still put on hedges or buy puts in the May-June time period.

I currently have my subscribers forward-sold on 30% of the 2010 corn crop at an average of over \$4.50 per bushel into the December 2010 corn futures and 30% of the new-crop soybeans hedged ahead into the November 2010 soybean futures at over \$10.30 per bushel. I plan to get another 20% to 40% locked in with hedges and the balance protected with puts.

Using the combination of hedges, puts, and CRC insurance has worked well for my customer in each of the last three years. □

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Soybeans: 2010 U.S. Yield Scenarios			
In Million Bushels And Million Acres			
Scenario	Below Trendline Yield	Trendline Yield	Above Trendline Yield
Carry In	190	190	190
Planted Acres	78	78	78
Yield	41.0	42.9	45.0
Crop Size	3,134	3,279	3,440
Total Supply	3,324	3,469	3,630
Total Use	3,200	3,200	3,200
Carry Out	124	269	430
Days Of Use	14	31	49

of a small crop and low prices is when having crop insurance and an aggressive risk-management plan should ensure enough revenue to keep you farming next year.

Evaluate the different yield scenarios and pricing strategy for soybeans. With the current USDA acreage forecast, if U.S. farmers can harvest a crop of 43 to 45 bushels per acre, odds are good that November futures will drop back to the 2009 low at \$8.40 or lower.

The large crop/low price at harvest does not have to hurt your farm profits if you are properly positioned. In fact, farmers who harvest a large crop and have hedged a large portion of the crop ahead will have a profitable year growing soybeans.

2 High Yield/High Price

The second scenario is for a large crop in your area, but a smaller crop nationwide. This would create some losses in your hedge account but would create a good profit opportunity for that lucky group of farmers. Also, odds are good

If a weather problem develops and you end up with a national yield of 156 bushels per acre or less, then odds are good futures prices will rebound back to the \$4.20 to \$4.70 price level. In that scenario, you may have some hedge losses in your futures accounts. But if you have a normal or better-than-average crop, you will again have the revenue to create a profit on your farm.

If the U.S. corn crop is large and you are in an area with a poor crop, then your crop insurance and hedges will help you stay in business. The combination