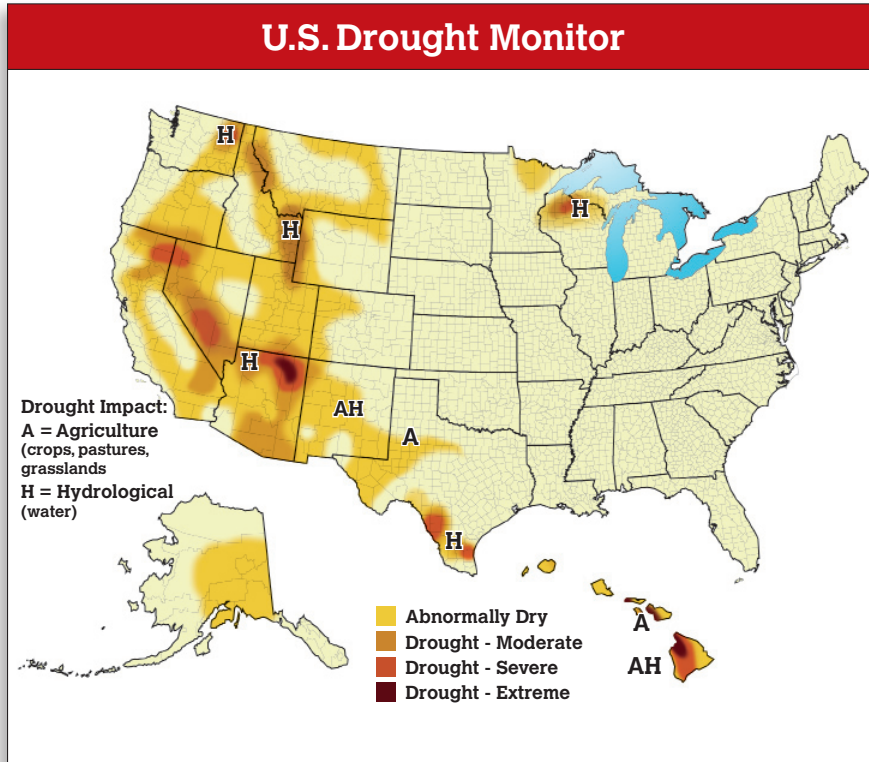


# Grain Markets Turn Higher

Planting delays may be a concern.



The trade does not have any fear of dry weather damaging the U.S. corn and soybean crops in the late winter months of 2010. The next weather scare that is likely to develop is from spring planting delays.

**D**o you see any chance of a rally back in the corn and soybean markets later this year?" That was the hopeful question from a North Dakota farmer.

The farmer was attending a late-January marketing conference in Fargo, North Dakota. Corn and soybean prices and farm income fell sharply lower from early January to the February lows, and the news was really negative.

In the 30-plus years I have watched the market, I have learned that the news is always negative when prices are low, and the news is always bullish when prices top out. That is why you need a disciplined plan – so you can make sales when key price and profit objectives are hit.

Following are the five negative market factors that dropped the corn and soybean markets lower into the February low.

**1. The USDA January 12 crop report** that increased the 2009 crop size and the projected carryout for corn, soybeans, and wheat.

**2. The strength of the U.S. dollar** that rallied nearly 8% from the early January high to the February low.

**3. Concerns about global economic stability** as the U.S. and the European Union try to manage mountains of debt.

**4. The hard down move in gold and crude oil** that had commodity investors reducing their position size or even switching to the short side.

**5. The fear that China would cancel U.S. soybean purchases** and buy the lower priced South American soybean crop.

Now for the positives. Following are four key market factors that I anticipate will be positive into the April-July time period.

**1. Weather.** Weather scares are likely to develop. The U.S. drought monitor does not show any drought areas except in some of the southwest states. The potentially positive weather problem could be similar to last year when planting delays rallied the corn and soybean markets sharply higher.

**2. Demand.** Demand is improving with the lower corn and soybean prices. Ethanol processors and hog producers are able to lock in profits, and exports are running above earlier USDA projections.

**3. Corn.** I do not disagree with the USDA corn production estimate; however, I think the 2009 crop was likely overstated due to test weight and moisture issues. These errors will show up in the March or June grain stocks reports. I doubt if the production numbers will be changed, but feed, ethanol, and residual numbers will all be increased and ending stocks will decline.

**4. Soybeans.** Soybean demand in the February and March Supply-Demand reports has been underestimated by the USDA in 19 out of the last 20 years.

Last year demand jumped by 80 million bushels. World buyers came to the U.S. when South America came up short. This year the ending stocks number has gone from 255 million bushels to 245 million bushels to 210 million bushels. Eventually I project the ending stocks to drop below 190 million bushels.

## What To Watch For

The corn and soybean markets usually go through three trends each year.

- **The uptrend.** This phase this year ➤

### Usual Planting Dates: Corn

State	Begin	Most Active	End
Colorado	April 15	May 1 - May 15	June 1
Georgia	March 1	March 20 - April 15	May 5
Illinois	April 22	April 30 - May 18	May 28
Indiana	April 25	May 5 - May 20	June 10
Iowa	April 22	May 2 - May 16	June 3
Kansas	April 10	April 25 - May 15	May 25
Kentucky	April 12	April 21 - May 18	June 18
Michigan	May 1	May 10 - May 21	May 31
Minnesota	April 24	May 3 - May 22	June 8
Missouri	April 5	April 20 - May 25	June 10
Nebraska	April 21	May 3 - May 19	June 1
North Dakota	May 3	May 13 - May 26	June 5
Ohio	April 22	May 1 - May 30	June 12
Pennsylvania	April 30	May 10 - May 25	June 15
South Dakota	May 1	May 9 - May 25	June 11
Texas	February 28	March 20 - April 29	May 15
Wisconsin	April 25	May 1 - June 5	June 10

One of the most significant yield and price factors for corn is planting dates. This chart shows when corn is usually planted in the major corn-producing states in the U.S. A late spring and delayed planting usually result in less than trend line yield. In 2009 the crop was late and we still ended up with a large crop because of the cool summer and ideal growing conditions in the month of September.

started before harvest with a September 2009 low and a counter seasonal rally that peaked in early January 2010.

- **The downtrend.** This phase took soybean prices down by \$1.70 per bushel and corn down by 70¢ per bushel from the January 2010 high to the February 2010 low.

- **The sideways trend.** Prices are locked in a trading range, dropping down to test support and then rallying back to test resistance about every five to eight days.

As a chartist, I'm watching the charts on the nearby corn and soybean futures for a signal that prices have bottomed and we've entered the seasonal uptrend.

The signal that prices have bottomed will develop when nearby futures close above the two previous week's high. Then get ready for some very volatile market action. I look for a fast rally back

as weather traders and fund traders aggressively buy corn and soybean futures. Plan to use that rally to make incremental scale-up sales.

#### What To Do

I have made different marketing recommendations for corn and soybeans based on the different merchandising alternatives.

- **For 2009 corn,** the subscribers I work with have between 60% and 80% of the 2009 corn crop hedged ahead at an average of \$4.89 per bushel. I plan to use a rally back in the April to May time period to get the balance of the cash corn sold. The price targets that I have are at \$4.20 and \$4.40 in the July contract.

If you have the right basis, sell out the rest of your cash corn and replace with some July corn calls.

- **For 2010 corn,** I have 30% hedged ahead at an average of \$4.55 per bushel, and I have encouraged producers to use CRC insurance to get additional market and income protection.

- **For 2009 soybeans,** I urged customers who used options to sell out of cash soybeans on the rally to \$10.70 and to hold 30% to 40% of their 2009 soybean crop with July call options. They are out about 70¢ per bushel on those call options, but they have all of the 2009 soybeans sold at over \$11 per bushel.

- **For 2010 soybeans,** I hedged 30% of the crop at an average of \$10.33 per bushel and have CRC insurance in place to manage risk and income on 2010 crop soybeans.

#### Final Thoughts

The news was negative at the lows in February and will likely be very bullish at sometime this spring. The market put in an early seasonal low in 2009, so be ready for an early seasonal high in 2010.

I told the young farmer from North Dakota that, yes, we would get a rally back, but it would likely be in the April-May time period when you get the next good time to sell.

#### Learn More

Plan to attend a free strategy online Webinar on March 25 at 8:00 p.m. CST. You'll learn strategies and alternatives to consider for the 2009 and 2010 crops. To register, go to [alkluis.com](http://alkluis.com). □

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