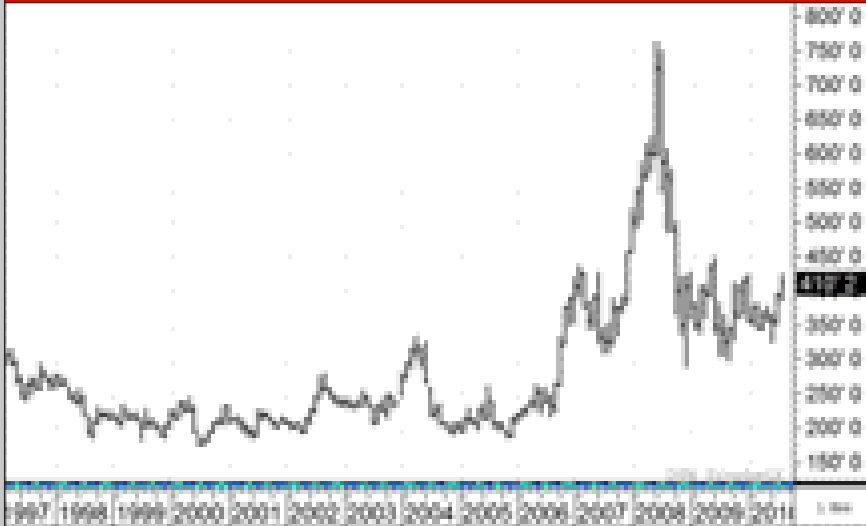


CBOT Monthly Corn



2011 Acreage Battle Starts In October

Take 5 steps to formulate your action plan.

The combination this year of record demand from China and the worst drought in 1,000 years in Russia has dramatically changed the global grain fundamentals. As a result, wheat futures soared by over \$4 per bushel from late June into early August. Russia embargoed grain exports. (This is an ironic twist that Russia embargoes grain exports 30 years after the U.S. put an export embargo in place against Russia.) And U.S. farmers have the opportunity to forward-sell \$7 wheat for delivery right off the combine in 2011.

This has caused a lot of excitement in meetings. Here are seven of the most frequently asked questions that have been coming up at seminars and online webinars this summer and fall.

- How many of the 3+ million acres coming out of the CRP this fall will go

back into crop production?

- Will U.S. winter wheat farmers plant 3 to 5 million acres more wheat than in 2010?
- Will spring wheat farmers plant an additional 2 million acres in 2011?
- Where will we get the additional 4 million acres more corn the world needs U.S. corn farmers to plant in 2011?
- If we get more wheat and corn acres, what happens to U.S. soybean acreage and prices in 2011 to 2012?
- How high can prices go?
- What will this do to input costs next year?

I do not have all of the answers yet, but I do have some specific strategic ways you should position your farm business.

For U.S. farmers, higher prices and the need for more corn, soybean, and wheat production can create good profits if you

are able to get good yields and control your costs.

Outlook For 2011

Here are my thoughts on acreage and the fundamental outlook for 2011.

You'll likely see 1 million acres of land come out of the CRP this fall with most acres likely to be planted to winter wheat. At this time, I would estimate 800,000 acres more wheat and 100,000 acres more corn and soybeans. These acres will not make much of an impact on the total U.S. grain production in 2011.

The futures market's job is to encourage more corn and soybean production throughout the world. U.S. farmers are likely to plant 5 to 6 million acres more wheat (winter and spring wheat combined) and 1 to 2 million acres more corn. This will result in 4 to 6 million acres less full-season soybeans. You should have a better perspective of how many acres of winter wheat are seeded within 30 days, and that is why the acreage battle is starting early.

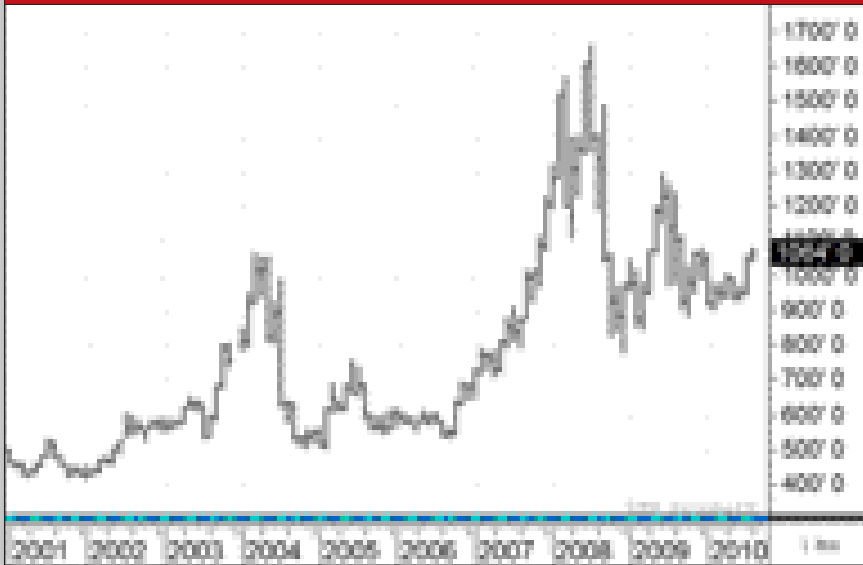
With wheat futures trading at over \$8, you can use the wheat rally to make some estimates of how high corn and soybean prices can go next year.

The monthly CBOT wheat chart (on the next page) shows prices dropping from the \$13.34 high in 2008 to the June 2010 low at \$4.25. Prices rallied back over \$4 per bushel, retracing nearly 50% of the two-year price correction. When CBOT wheat futures started to rally, I projected the nearby futures to go up to \$7.70 to \$8.80.

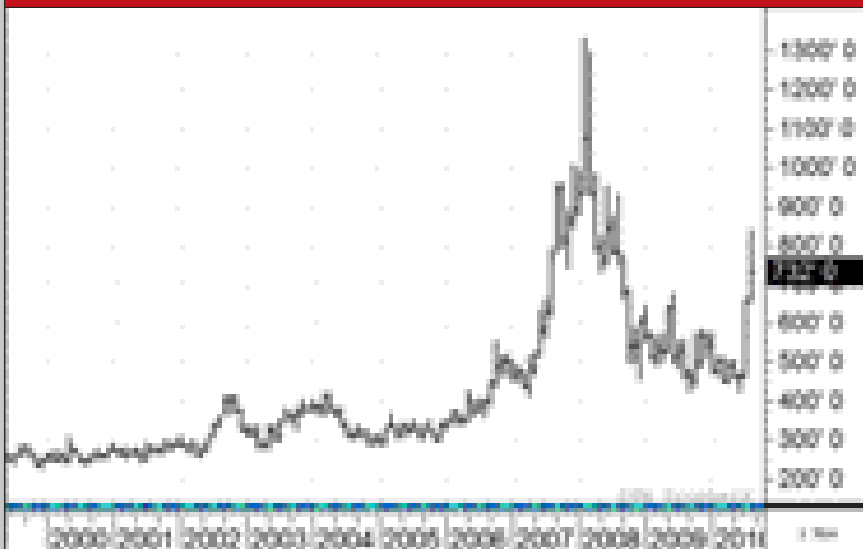
Using the same retracement charting methods, I projected the nearby CBOT corn futures to go up to \$4.70 to \$5.80. For soybeans, the targets are at \$11.15 to \$12.20. These are not price forecasts; they are logical places to make sales if prices move to those profit levels.

So what should you do differently ➤

CBOT Monthly Soybeans



CBOT Monthly Wheat



4 Base your 2011 marketing decisions on what makes dollars and cents for your farm.

5 Stay with a disciplined scale-up plan. It only took two days in the wheat market to wipe out \$1.50-per-bushel gains.

Final Thoughts

My own acreage projection is for 5 million acres more winter wheat in 2011.

For corn it is too early to tell. It depends on input costs and spring weather. My initial thoughts are that \$4.80 December 2011 corn futures will result in 4 million acres more corn next year, and \$5.40 December 2011 corn will result in 5 million acres more corn in 2011.

This sets up a bullish scenario for soybeans. Global oilseed buyers need to get next year's inputs locked in and to hope for a big South American soybean crop this winter!

If you are going to grow more wheat, get a big chunk of it sold ahead. A lot of areas in the world can – and will – grow wheat at the current price.

With the world growing more wheat, corn, and oilseeds in 2011, getting your inputs locked in early will help your bottom line. Higher grain prices will not create higher profits unless you are positioned correctly. □

because of this change in global grain fundamentals? Here are 5 action plans.

1 Know your costs and make sure you have your land agreements signed and in place as soon as possible.

2 Do whatever you can to maximize your yield. Invest in the technology

you need in order to plant the best seed possible.

3 Lock in inputs and use this rally to get some of the new crop 2011 sold ahead. We had customers buy nitrogen and phosphate in early August; they then hedged 20-24 bushels of December 2011 corn ahead on the same day to pay for it.

Al Kluis

Al Kluis has been a commodity trader and adviser since 1974. Join his free webinar on Tuesday, October 12, at 8:00 p.m. CDT. To register, go to www.alkluis.com.

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