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# Seven Ways Farmers Have Used This Almanac

As I travel around the Midwest and talk to farmers at seminars and on their farms, I've gotten some nice comments about our Almanac, and how people use it. Let me share a few tidbits:

*"...I threw it in the glove box of the semi, and whenever I was waiting in line I read and reread the comments for each month. It's like a tutorial on marketing..."*

*"...I find it useful the day of USDA crop reports to look at the previous year's numbers and it helps me get a longer term perspective on the markets..."*

I also hear from farmers about some of the planning tools I use in my seminars, and that we chose to make part of the Almanac contents from the get-go, such as my seasonal odds charts:

*"...The seasonal odds charts were worth their weight in gold again this year. Even though the news was bullish I kept selling in the May/June time period..."*

Well done, reader! And this is why we highlight the charts we do:

*"...I have studied the long term monthly price charts for corn, soybeans, and hogs. If you look back over the last 30 years you can see that prices do not stay high very long and when prices come down – they fall fast..."*

Yes, exactly. If he's been to one of my seminars, he would have heard the same thing, but it's different when you figure it out yourself, isn't it? Then, all of a sudden, it makes sense! The charts we choose are important, and take some time to digest. By putting them in the Almanac, you've got a whole year.

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I liked this comment because it's why we do what we do:

*"...The almanac has helped me understand a lot of the US grain stocks and global supply-demand numbers. The layout makes it user friendly..."*

Yes, user-friendly! That's what we want this little Almanac to be. After all, you've got other things to work on. We work hard so hopefully you don't have to.

*"...I like to read the entire almanac to put together a long term plan. The day-to-day information that I get on the Internet is all short term analysis. On my farm I am looking at what is going to happen over the next several weeks, not just tomorrow..."*

That's a great idea, and a good perspective for a smart manager. And finally, this is what I like to hear:

*"...I gave the 2008 Dutch Farmers Almanac to my son-in-law at Christmas, and in June he asked about moving home and starting to farm with me next year..."*

I don't promise this result for everyone, but it can't hurt to try!



# December/January

# 28-3

5-Year Seasonal Odds this Week		
	change	% reliability
Corn	+4¢ ▲	60%
Soybeans	-1.6 ▼	80%

New Crop this Week				
	Hi	Lo	Close	08 Close
December Corn				\$4.86
November Soy				\$11.59

Sunday

28

Monday

29

Tuesday

30

Wednesday

31

Old Crop this Week				
	Hi	Lo	Close	08 Close
March Corn				\$4.67
January Soy				\$12.49

Thursday

- CBOT CLOSED: New Year's Day

1

Friday

- First Delivery Day: Jan Soybeans

2

Saturday

3



## Al's Fearless Forecasts



Al says: "You saw my "Fearless Forecasts" in 2008... so how did I do?"

Date	Forecast	Result
January 2008	"Crude oil prices will drop below \$60/barrel by the third quarter of 2008."	Really wrong.
February 2008	"In three years, the national average yield for corn will exceed 180 bushels per acre."	Time and technology are on my side.
May 2008	"Soybeans will reach new all-time highs by 2009. The current all-time high is \$12.90 from 1973."	Right on. Soybean futures soared to over \$16.00 per bushel in July of 2008.
July 2008	"The farmland market in the US will continue to out-perform the equity markets until June 2010."	Right so far.
October 2008	"The next major low in corn prices will be in early March of 2011, sixty-eight months from the October 2005 low."	Time will tell. I will post the result of this forecast on my website: <a href="http://alkluis.com">alkluis.com</a>
December 2008	"Hogs will reach all-time highs by 2010. The current all-time high is \$86.60, from April 1997."	Right on. The hog futures market rallied to new all-time highs in July of 2008.

Watch for the 2009 "Fearless Forecasts" in upcoming pages.

### Marketing Checklist

- Register for at least two seminars that you will attend in the next three months.

2008 "New Year Price Indicator"									
	high week 1	high week 2	change	low		change	close		change
				week 1	week 2		week 1	week 2	
<b>Corn</b>									
March 08 (old crop)	\$4.95	\$5.19	+	\$4.62	\$4.95	+	\$4.95	\$4.98	+
Dec 08 (new crop)	\$5.13	\$5.40	+	\$4.82	\$5.10	+	\$5.13	\$5.15	+
<b>Soybeans</b>									
March 08 (old crop)	\$13.10	\$13.41	+	\$12.47	\$12.45	-	\$12.98	\$12.64	-
Nov 08 (new crop)	\$12.45	\$13.05	+	\$11.54	\$12.42	-	\$12.45	\$12.56	+

Notes: Watch the price action the first two weeks of January to set the tone throughout the end of the first quarter. The rally up to higher highs and higher lows in old and new crop soybean set up a rally to sharply higher prices by the third week of March 2008. Eventually corn and soybean prices rallied up to new all-time highs during the summer of 2008.

2009 "New Year Price Indicator"									
	high week 1	high week 2	change	low		change	close		change
				week 1	week 2		week 1	week 2	
<b>Corn</b>									
March 09 (old crop)									
Dec 09 (new crop)									
<b>Soybeans</b>									
March 09 (old crop)									
Nov 09 (new crop)									

Notes: In 2009, here's what you want to watch: If prices close higher in the second week of January than in the first week of January, it's a POSITIVE indicator for prices. If prices close lower the second week of January than the first week of January, it's a NEGATIVE indicator for prices.



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# When Markets are Volatile, Goals Should Be Steady

In such a volatile market, defining goals and choosing the approach that works for you helps make decision-making easier.

"I never thought these high prices would create so much anxiety in all of my customers," was the comment from a seed dealer at a mid-July meeting in Northwest Iowa. At the same time, this huge rally in commodity prices has created a giddy feeling at some of the meetings of young farmers I attend as a speaker.

Prices rallied up to all time highs in summer 2008 as increased global demand, more corn going for ethanol, and summer flooding combined to send prices and potential profits sharply higher for corn producers. The same rally created some very depressed pork producers a month later.

The most common attitude for corn and soybean farmers is one of skepticism on how long this can last...and genuine concern about rising input and rental costs. The reality is this: How well you buy your inputs, manage your working relationship with your landlords, and market your crops WILL have a huge impact on your farm profits. Heres' my advice:

## 4 steps to rational decisions

- #1. Make an 8-10% sale of your cash corn and soybeans every month. For a lot of farmers these are the only bushels they had left to sell last summer. This step has been a great tool to spread out risk, and also keep some cash flow coming into your checking account every month. If you have a neighbor who feeds livestock, agreeing on a sales amount each month can create a win-win agreement.
- #2. Make your sales based on your ROI (return on investment). I personally sold 5,000 bushels of corn ahead that provided a 30% ROI. Two weeks later I sold 10,000 bushels of corn that provided a 60% ROI. The market is now about \$1.00 higher than when I made those sales, and my concern is not about what I have sold and how much higher the market has gone, but with the bushels I still have to sell.
- #3. Use puts and hedges. I have hedged about 40% of my crop ahead and used put options to create a floor on another 40%. The puts appear to be worthless at this time, but the loss of 20 cents on a corn put is minimal vs. the \$2.80 rally in the futures.
- #4. Use an advisory service...AND follow the instructions. It is always a good idea to ask for clarification if you do not understand a recommendation. However, do not follow the advice only part of the time. As one 20-year customer told me: "When the news is really bullish and it is the hardest decision to sell, it is usually the most profitable sale when I deliver my grain."

# January

# 4-10

5-year Seasonal Odds this Week		
	change	% reliability
Corn	+9.9¢ A	60%
Soybeans	+14.2¢ A	80%

New Crop this Week				
	Hi	Lo	Close	08 Close
December Corn				\$5.13
November Soy				\$12.45

Sunday 4

Monday 5

Tuesday 6

Wednesday 7

Thursday 8

Friday 9

Saturday 10

Old Crop this Week				
	Hi	Lo	Close	08 Close
March Corn				\$4.95
January Soy				\$12.86

**US Corn Supply and Use**  
(millions of bushels)

<b>Item</b>	<b>2006-07</b>	<b>2007-2008 (estimated)</b>	<i>Projected 2008-2009 (as of Sept 2008)</i>	<b>New projections: Jan. 12, 2009</b>
<i>Area planted (mil. ac.)</i>	78.3	93.6	87.0	
<i>Area harvested (mil. ac.)</i>	70.6	86.5	79.3	
<i>Yield per acre (bu)</i>	149.1	151.1	155	
Beginning stocks	1,967	1,304	1,576	
Production	10,535	13,074	12,288	
Imports	12	18	15	
<b>Total Supply</b>	<b>12,514</b>	<b>14,396</b>	<b>13,878</b>	
Feed and residual	5,595	6,050	5,300	
Food, seed & industrial*	3,490	4,345	5,445	
Exports	2,125	2,425	2,000	
<b>Total Use</b>	<b>11,210</b>	<b>12,820</b>	<b>12,745</b>	
<b>ENDING STOCKS</b>	<b>1,304</b>	<b>1,576</b>	<b>1,133</b>	

\* This includes:

<i>Corn used for ethanol</i>	2,119	3,000	4,100	
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**About this report:** The USDA uses its final planted acreage, harvested acreage and yield projection in computing the final 2008 crop size in this very important January Supply-Demand report.

**Keys to watch in this report:** Harvested acreage, ethanol usage, and projected ending stocks.



"Greed on Wall Street causes  
pain on Main Street."



**Marketing Checklist**

- ❑ On Fridays, record the high, low and close for old crop and new crop soybeans. Use the "New Year's Price Indicator" table to figure out the trend for the first quarter and possibly the entire year.

# January

# 11-17

5-year Seasonal Odds this Week		
	change	% reliability
Corn	<b>-.02¢</b> ▼	<b>60%</b>
Soybeans	<b>-1¢</b> ▼	<b>60%</b>

New Crop this Week				
	Hi	Lo	Close	08 Close
December Corn				\$5.15
November Soy				\$12.56

**Sunday**

11

**Monday**

- USDA reports: Grain Stocks, WASDE, Crop Production

12

**Tuesday**

13

**Wednesday**

14

**Thursday**

15

**Friday**

- Last Delivery Day: Jan Soybeans

16

**Saturday**

17

Old Crop this Week				
	Hi	Lo	Close	08 Close
March Corn				\$4.98
March Soy				\$12.64



# Al's Fearless Forecasts



Al says: "Investors who buy bank and financial stocks in the first six months of 2009 will look like smart long-term investors in 2010."

## US Grain Stocks: Total of On and Off Farm Storage *(in thousands of bushels)*

	Date	2006	2007	2008 (as of Sept 30, 2008)	2009 (as of Jan 12, 2009)
Corn	Mar 1	6,987,328	6,068,250	6,858,722	
	Jun 1	4,361,699	3,533,443	4,028,017	
	Sep 1	1,967,161	1,303,647	1,624,150	
	Dec 1	8,932,707	10,278,085		
Soybeans	Mar 1	1,669,206	1,786,887	1,433,982	
	Jun 1	990,699	1,092,185	676,143	
	Sep 1	449,326	573,810	205,034	
	Dec 1	2,701,366	2,331,860		

Commodity	Contract *	NEW Values of "Limit Down" and "Limit Up"	
		Until Jan. 2007	Now
Corn	@C	20 cents per bushel	30 cents per bushel
Soybeans	@S	50 cents per bushel	70 cents per bushel
Wheat	@W, @KW, @MW	30 cents per bushel	50 cents per bushel
Cotton	@CT	3 cents per pound	3 cents per pound
Live Hogs	LH	2 cents per pound	2 cents per pound
Live Cattle	LC	3 cents per pound	3 cents per pound

## Marketing Checklist



- Review your marketing plan for all of the cash grain you have to sell, and review your old crop and new crop marketing plans.



# 20-26

5-year Seasonal Odds this Week		
	change	% reliability
Corn	+1.4A	40%
Soybeans	-5Y	60%

New Crop this Week				
	Hi	Lo	Close	08 Close
December Corn				\$5.10
November Soy				\$12.32

Sunday

18

Monday

- CBOT CLOSED: Martin Luther King Day

19

Tuesday

20

Wednesday

21

Thursday

22

Friday

- USDA report: Cattle On Feed

23

Saturday

24

Old Crop this Week				
	Hi	Lo	Close	08 Close
March Corn				\$4.98
March Soy				\$12.43

**January 1 US Cattle Inventory (semi-annual)**  
(1,000 head)

	<b>Jan. 1, 2007</b>	<b>Jan. 1, 2008</b>	<b>2008 as % of 2007</b>	<b>Jan. 1, 2009</b>	<b>2009 as % of 2008</b>
Cattle and Calves	97,003	96,669	100		
Cows and Heifers that have calved	42,023	41,777	99		
Heifers > 500 pounds	20,086	20,003	100		
Steers > 500 pounds	17,222	17,305	100		
Cattle on Feed	14,269	14,317	100		
Calf Crop (from prior year)	37,519	37,361	100		



## Dutch Tip

**The New Money:** Think of your input costs in bushels, not dollars. How many bushels did it take last year to buy your fertilizer? And this year?



## Al's Fearless Forecasts



Al says: "By 2009 China will replace the US as the number one consumer of soybeans in the world."

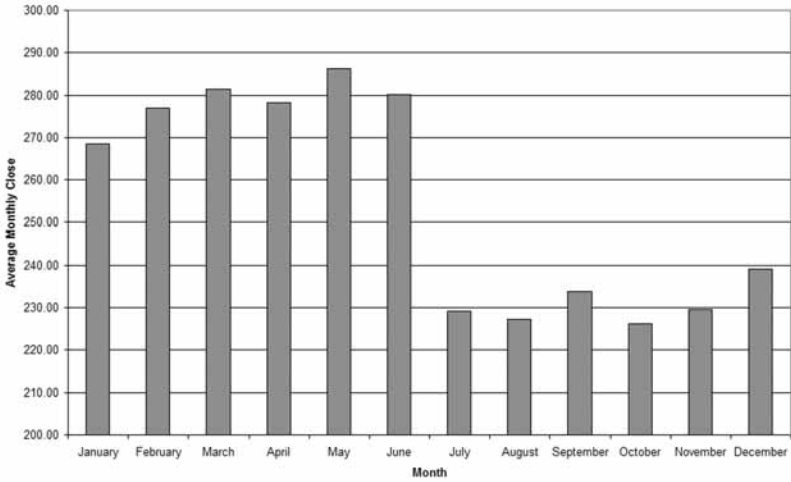
### Marketing Checklist

- First figure out the current value of all of the cash corn, soybeans, and wheat you are holding. Then figure out how much money that could save or make on interest each month if you sold it all right now.

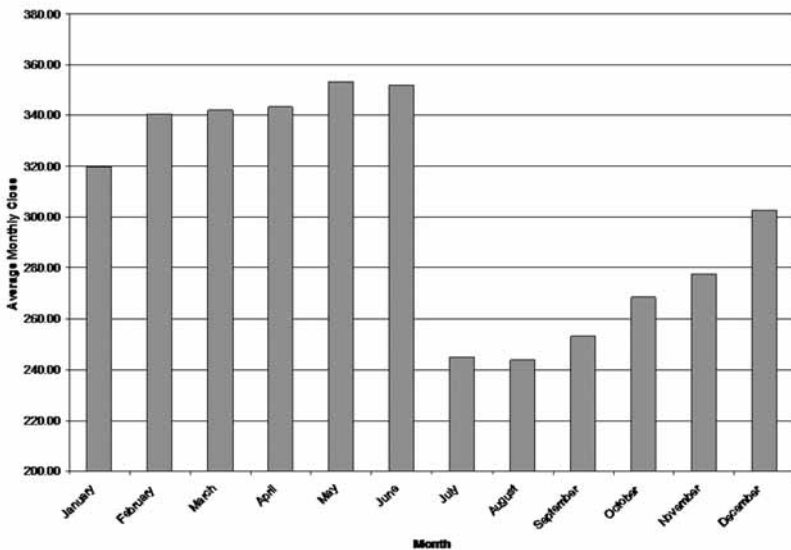




Seasonal Corn Prices - Ten Year Average (Monthly)



The ten-year corn price chart shows the pattern of price topping out in March to May. Prices topped out later than that in 2008, but the concept of a spring high and summer-to-fall low did work.



Now let's look at the same kind of numbers but in the most recent years. The five-year corn price chart shows a history of corn prices topping out in the May to June time period followed by a low in August to October. The amount prices fell in 2008 was more than the historic averages but when you go to \$8.00 corn futures, one can expect extreme moves.

# January

# 25-31

5-year Seasonal Odds this Week		
	change	% reliability
Corn	+3.25¢ A	100%
Soybeans	+18.5¢ A	80%

New Crop this Week				
	Hi	Lo	Close	08 Close
December Corn				\$5.19
November Soy				\$12.54

**Sunday** 25

**Monday** 26

**Tuesday** 27

**Wednesday** 28

Old Crop this Week				
	Hi	Lo	Close	08 Close
March Corn				\$5.01
March Soy				\$12.87

**Thursday** 29

<b>Friday</b>		Close Today	Close Last Month	Difference	30
	Corn				
	Soybeans				

**Saturday** 31