



Get This Newsletter Every Saturday from Al Kluis Commodities... "Your Markets, Right Now"

Saturday, April 2, 2016

Notes from Al

We sent out these Action Alerts last week...

- 29 March 2016, 9:58 am. Kluis Alert: The target for May 2016 Wheat was hit today. Increase cash wheat sales by 30% to get to 60% sold now.
- 29 March 2016, 10:25 am. Kluis Alert: July 2016 Wheat prices rallied to our target today. Increase new crop wheat sales by 10% to get to 20% sold now.
- 29 March 2016, 10:42 am. Kluis Alert: We are close to the target of \$9.18 in May Soybeans. Increase cash soybean sales by 20% to get to 50% sold now.

The **USDA Prospective Plantings report Thursday** was very bearish for corn. Corn closed down 15 to 16 cents Thursday and down 16 cents for the week. The soybean and wheat acres were positive long term for price. Here are the USDA numbers...

Crop acres for 2016 (in millions of acres)				
	USDA Final 2015	This month		
		Trade says...	Al & Cory predict...	USDA Actual
Corn	88	89.9	90.5	93.6
Soybeans	82.5	83.0	82.2	82.2
Wheat	54.6	51.7	51.3	49.6

Stocks as of March 1, 2016 Total on farm and off farm (billions of bushels)				
	USDA Jan. 2016	This quarter		
		Trade says...	Al & Cory predict...	USDA Actual
Corn	11.202	7.801	7.825	7.808
Soybeans	2.523	1.556	1.575	1.531
Wheat	1.738	1.356	1.360	

First, I think this is the highest corn acreage number that we will see. I think we have already lost over 1 million acres in the Delta. With the phone calls that came in on Friday, we will lose a lot more corn to soybeans in the central Corn Belt. Remember this is called the **Prospective Plantings** report. The actual numbers won't happen until your planting is done. (Those are the numbers that will be in the June 30 "Acreage" report.)

Second, the Grain Stocks report was neutral for corn for the first time in seven years. The soybean stocks report suggests to me that **last year's soybean** crop may have been **underestimated** by 20 to 40 million bushels.

Our own Planting Intentions survey proved to be very accurate. The growers who filled out our survey on Monday or Tuesday got an advance peek at the results on Wednesday. Our results showed farmers intended to plant a lot more corn than last year. If we scale that up to how it would look country wide, it meant 3 million acres more corn than the trade estimated. We also looked for less soybeans and less wheat than last year, and less than the trade estimated. Because of this, when we sent the survey results to the participating growers, we included a recommendation that growers buy some corn puts.

A sincere thank you to all the growers who participated in our survey. After we do this survey for several years in a row, I will also be able to report trends, and--of course--make charts. I'm looking forward to that.

The CFTC **commodity fund** update released Friday afternoon showed that funds reduced their short position in corn by 46,000 contracts, and they are **short** 108,000 contracts. They bought more soybeans and are now **long** 76,000 contracts. For wheat they reduced their short position and are now **short** 69,000 contracts. I do not see this report having a major impact on prices on Sunday night or Monday.

Revenue Management

Specific marketing and merchandising decisions that impact your bottom line

In this section we think--and talk--about money. Sometimes the concepts and strategies we lay out may be more advanced than you are used to, but read them anyway, and let the 'learning' begin! The 'earnings' will follow.

This week: Seasonal sales

I recommend seasonal sales. Sell some grain (usually 30% to 50%) before harvest, and the remainder over the next 3 to 6 months after harvest. How much should you sell ahead? How much should you hold into the next year? That depends on the relative price level we are at, and the carrying charge in the futures market.

Last week we recommended a cash wheat sale. If the rally continues into mid-April, then we will recommend getting the last of the cash wheat sold. In addition, we will make some additional new crop hedges. Odds favor lower prices during the wheat harvest in June and July.

Seasonal sales are the key to having a successful marketing plan and making the right decisions. Make a series of incremental 10% and 20% sales. Make those sales when you get

the right selling opportunities. Do not try to hold onto all of your inventory for "the top". That is dangerous. Holding out for the top can lead to panic sales, on days like Thursday. After the crop report came out, we had a lot of calls from non-customers who were in full panic mode. Use seasonal and incremental sales and you will not be one of those panicked callers.

Bobby's Market Thermometers

What a week. There is always hype about the March "Prospective Plantings" report being one of the most volatile reports of the year... and it was true again. Meanwhile, according to recent economic data, the US economy seems to be humming along. The Federal Reserve Bank (the "Fed") is closely watching all of the domestic economic data very closely as they determine when the economy is ready for another rate hike. The stance of the Fed to raise rates going forward (albeit at a slow pace) is bullish for the US dollar. Oil and other commodities will have a better chance to rally if the dollar is contained inside a trading range. Here are the factors affecting the markets now...

Corn

<p><i>Bullish</i> Spring weather in Delta and Eastern Corn Belt has been wet, which will cause concern unless it changes soon</p> <p>With the recent decline in prices, farmer selling will become non-existent</p>	<p><i>Bearish</i> USDA report suggests third largest corn crop ever at 93.6 million acres</p> <p>New crop carryover estimates are ranging from 2.3 to 2.7 billion bushels</p>
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Bobby's bottom line for corn: The bulls were crushed on Thursday with the numbers from the USDA; 93.6 million acres would be the third largest corn crop in the US. If realized, the new crop carryover numbers could balloon to nearly 2.5 billion bushels. Until we get the June "Acreage" report from the USDA, the bulls look to the weather to rekindle their flame. The weather needs to create enough problems to convince the funds that holding a record short is not a good idea. I will be watching the December 2016/December 2017 corn spread for indications that traders are ready to rebound after this week's decline.

Soybeans

<p><i>Bullish</i> USDA report was mildly friendly</p> <p>Funds will continue to buy soybeans</p> <p>Spread traders are enticed to keep buying soybeans and selling corn after seeing the USDA report</p>	<p><i>Bearish</i> Even with a slightly friendly USDA report, the new crop carryover numbers are not that bullish</p> <p>Technical indicators remain in overbought territory, suggesting pull-back is due</p>
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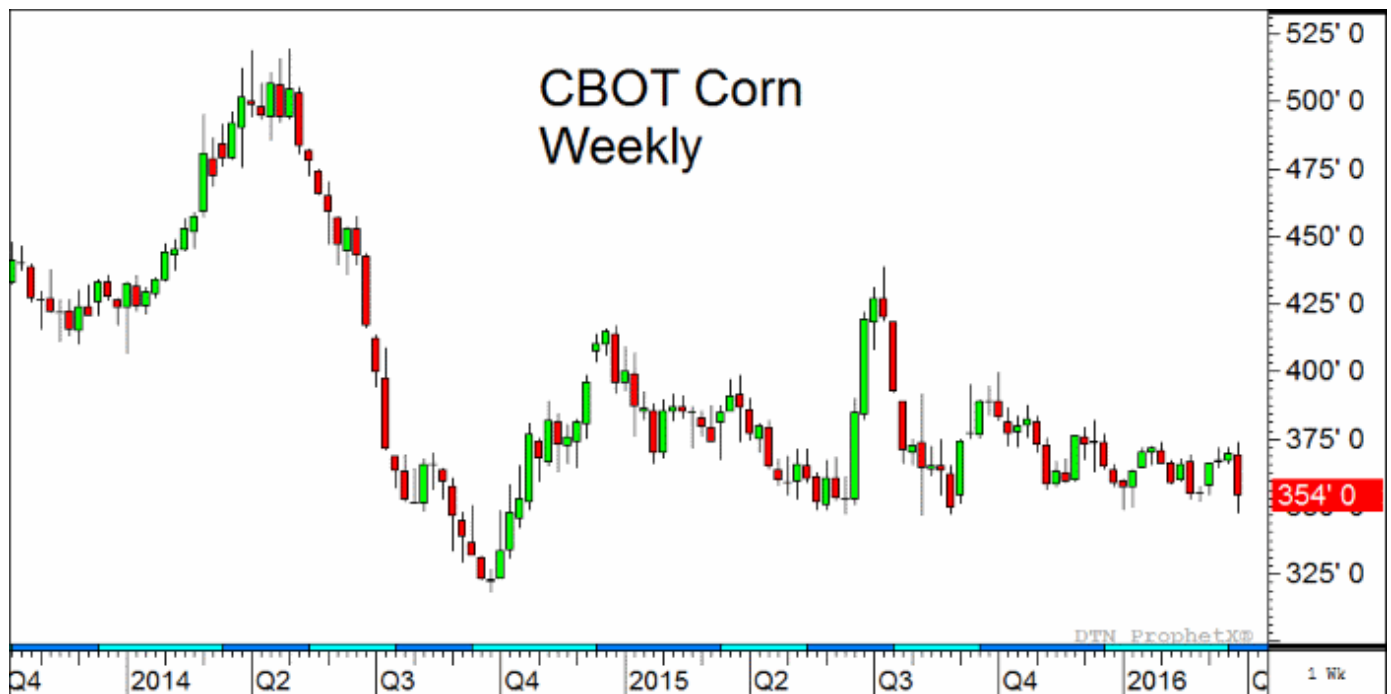
Bobby's bottom line for soybeans: The funds guessed correctly going into the USDA report this week. Long soybeans and short corn worked out very well for them. Now, the question becomes, do they add to their position? Weather over the next month will dictate how aggressive fund managers will be willing to add to this winning trade. Expect to see pull-backs well-supported for now. The next upside target in May soybeans is now \$9.29, which was the October 2015 high.

Wheat

<p>Bullish Dry conditions continue in Southern plains</p> <p>USDA report suggests all-wheat acres at 49.6 million, well below last year at 55.37 million</p>	<p>Bearish Global supplies are still ample. The market will continue to bounce around, but the underlying tone will remain bearish until weather causes actual production losses</p> <p>Exports are still well behind USDA pace</p>
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Bobby's bottom line for wheat: I think a few analysts were surprised to see the USDA post an all-wheat acre number below 50 million. Now this is not super bullish, but it should cause a few bears to become uncomfortable--especially with the current dry weather that is unfolding across southern wheat country. The table is slowly turning in favor of the bulls, especially if spread traders decide to buy wheat and sell corn given the bearish outlook on corn acres. If May CBOT wheat can break above \$4.80 (thus the 100-day average at \$4.78 and recent high of \$4.79) I think there is a good chance that traders will push to the next resistance near \$5.00.

Chart of the Week: Corn



About this chart: This is the monthly corn continuation candlestick chart. This chart shows the major high at \$5.25 in May 2014. From that high, prices fell to the 68-month low in September 2014. Then prices rallied back to the high at \$4.38 in June 2015. The corn market fell to the low and double bottom in August of 2015 at \$3.46. The \$3.46 to \$3.48 price level has been challenged seven times in the last nine months, including the hard drop last week to the \$3.47 low.

What this means for you: I think last week will prove to be a significant low in the corn market and that future USDA reports will show smaller corn acres. This is not a good time to panic and sell.

What to Watch

News and events that could move the markets

Watch the **extended forecasts** for the southern and eastern Corn Belt. The weather looks cool and wet next week before a 7-to-10 day warm-up develops, and then back to cold and wet. The weather models are not in good agreement for late April. Some models turn wet again, while the other models turn warm and dry. I will have DT's weather update in the Monday AM update.

Watch the **critical chart support at \$3.46** in nearby corn futures. The rally back on Friday was encouraging. However, now it very important to hold the low at \$3.46. That low has held every break in the corn market since May 2015.

Watch the first-of-the-season Crop Progress report on Monday. The first full report will be available on Monday April 11. We will look at the state-by-state numbers and expect the reports from the South Eastern US and Delta to **show planting running way behind normal.**

What to Do Now

Specific recommendations for sales, hedges, and other actions to take this coming week

Recommendations: We have several new recommendations this week. We also made several sale recommendations last week.

CORN

2015 crop: Intermediate targets are at \$3.73 and \$3.82. If May 2016 Corn rallies to \$4.18, then have an offer in to sell 10% of your anticipated 2015 corn crop.

2016 crop: If December 2016 Corn rallies to \$4.68, then have an offer in to hedge 10% of your anticipated 2016 corn crop.

SOYBEANS

2015 crop: If the May 2015 soybean contract rallies to **New:** \$9.48, then sell 20% of your 2015 soybean crop. Intermediate target is at \$9.28.

2016 crop: If November 2016 Soybeans rallies to **New:** \$9.48, then have an offer in to hedge 10% of your anticipated 2016 soybean crop.

WHEAT

2015 crop: If May 2016 CBOT wheat rallies to **New:** \$5.25, then have an offer in to sell another 20% of your cash wheat. Intermediate Target is \$4.78 March Wheat.

2016 crop: If July 2016 CBOT wheat rallies to **New:** \$4.95, then have an offer in to hedge another 10% of your anticipated 2016 wheat crop.

Where You Should Be

Summary of your marketing actions to date

2015 Crop Sales

Crop	% Sold	Last Sale			
		Date	Amount	Price	Contract
15 Corn	50%	2-Jul	10%	\$4.38	Dec-15
15 Beans	50%	29-Mar	20%	\$9.14	May-16
15 Wheat	60%	29-Mar	30%	\$4.76	May-16

2016 Crop Sales

Crop	% Sold	Last Sale			
		Date	Amount	Price	Contract
16 Corn	10%	6-Jul	10%	\$4.38	Dec-15
16 Beans	0%				
16 Wheat	20%	29-Mar	10%	\$4.83	Jul-16

CORN

2015 Corn: Corn growers have 50% of the 2015 crop sold.

2016 Corn: Corn growers have 10% of their new crop 2016 bushels hedged ahead.

SOYBEANS

2015 Soybeans: Soybean growers have 50% of their 2015 crop sold.

WHEAT

2015 Wheat: You have 60% of your new crop 2015 bushels hedged ahead.

2016 Wheat: You have 20% of your new crop 2016 bushels hedged ahead.

2016 FUEL: You have at least 50% of your spring and summer fuel needs locked in.

2015 FERTILIZER: Begin checking on the price of your 2016 fertilizer. No buy recommendations yet.

Feed:

Feed corn: You have your corn feed needs locked in through the second quarter of 2016.

Soybean meal: You have your meal needs locked in through the second quarter of 2016.

Dryer Gas Needs: Check on fall 2016 prices but no recommendations yet.

Ask AI...

We had several questions during the market hoopla Webinar this week...

Question #1, *"Do you think the USDA projection on corn is possible?"*

My answer: Possible yes, but not likely. It would take ideal spring planting weather to make this large 5 million+ acreage projection work. With the current weather in the Delta and the southern states, it is not likely.

Question #2, *"Will the lower futures price on corn improve corn basis bids?"*

My answer: Yes, I think basis bids will improve. I also look for seasonal improvement as farmers get busy in the fields and stop hauling grain.

Do you have a marketing question? Send your questions to AI at info@kluispublishing.com.

Announcements and Other Information

Basis & Market Update

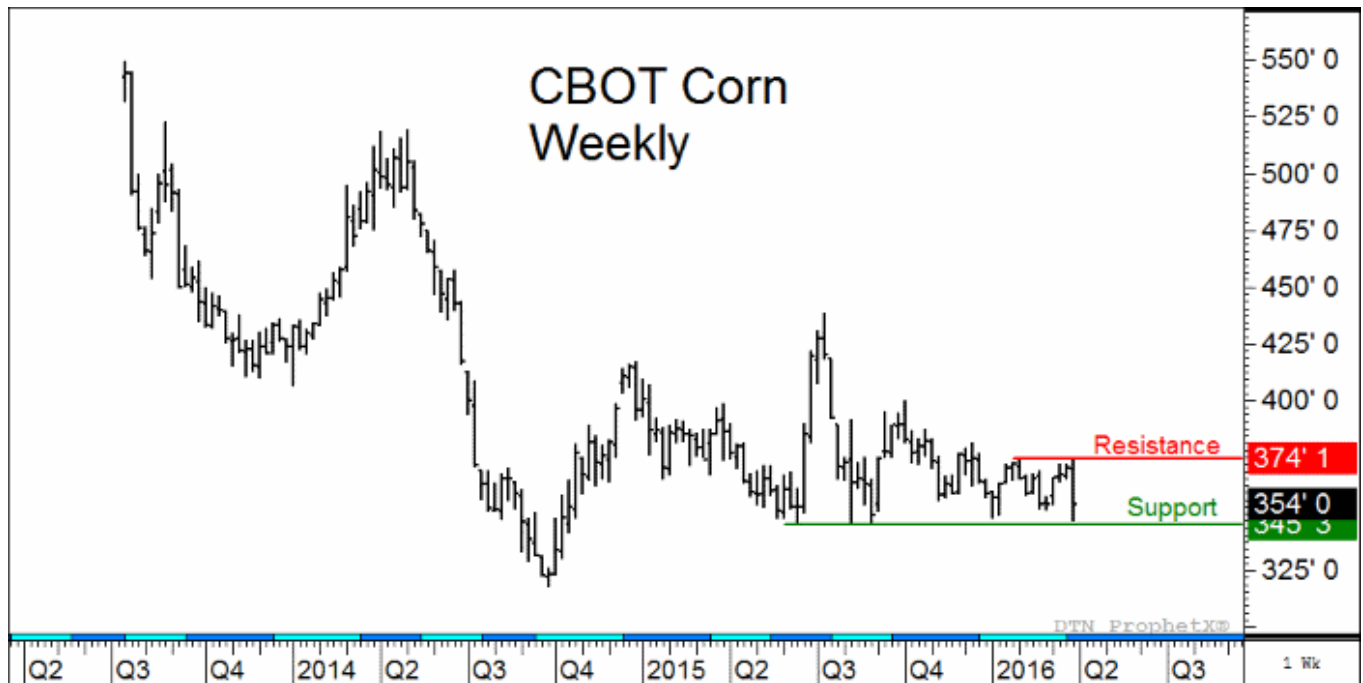
The Wednesday close for May 2016 CBOT Corn was \$3.67. Cash basis bids were 2 to 3 cents better late this week. The Wednesday close for May 2016 CBOT soybeans was \$9.09. Basis levels were 3 to 5 cents wider this week.

Market Snapshot

<i>April 1, 2016</i>	This Week				<i>This week 2015</i>
	High	Low	Close	Change	<i>Close</i>
May Corn	\$3.74	\$3.47	\$3.54	-\$0.16	\$3.86
May Soy	\$9.20	\$8.96	\$9.18	\$0.08	\$9.86
May CBT Wheat	\$4.77	\$4.55	\$4.76	\$0.13	\$5.36
May MGE Wheat	\$5.32	\$5.12	\$5.28	\$0.14	\$5.95
May KC Wheat	\$4.85	\$4.59	\$4.78	\$0.06	\$5.83
May Crude Oil	\$40.14	\$36.63	\$36.67	-\$2.87	\$49.14
DBA ETF	20.95	20.36	20.49	-\$0.30	22.41
US Dollar	96.40	94.32	\$94.57	-\$1.56	96.55

Cory's Chart Analysis

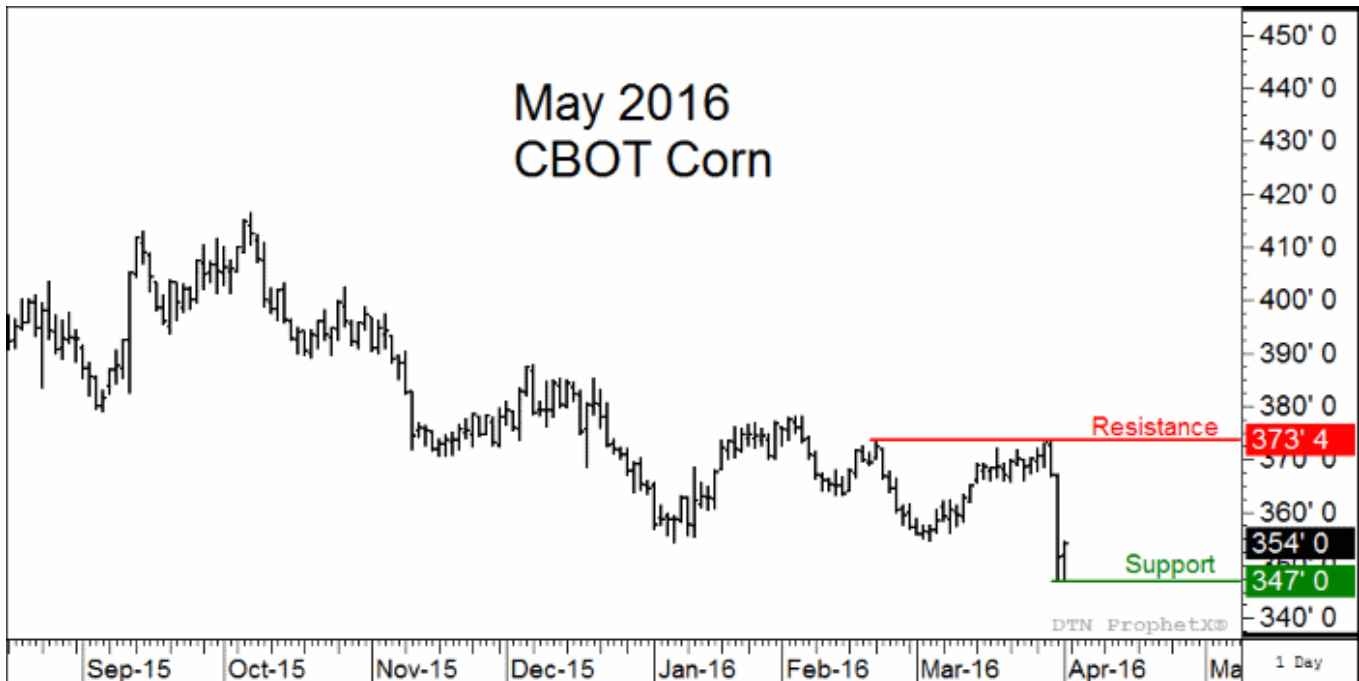
Corn: Long Term



Corn futures The nearby corn futures closed lower this week. Nearby corn futures traded to the highest level we have seen in the past 14 weeks and then turned lower with the USDA reports Thursday. This reversal lower action does not look good on the charts. We not only took out the previous two weeks' low, but we closed at the lowest level since late last August. As you can see on the chart, we are still within our well-defined range of \$3.46 to \$3.74 and we will likely stay in the range for the next few weeks. Support comes in at \$3.47 with resistance at \$3.74.

For the week: The corn continuation chart shows a 27 cent trading range with prices closing down 16 cents from last week.

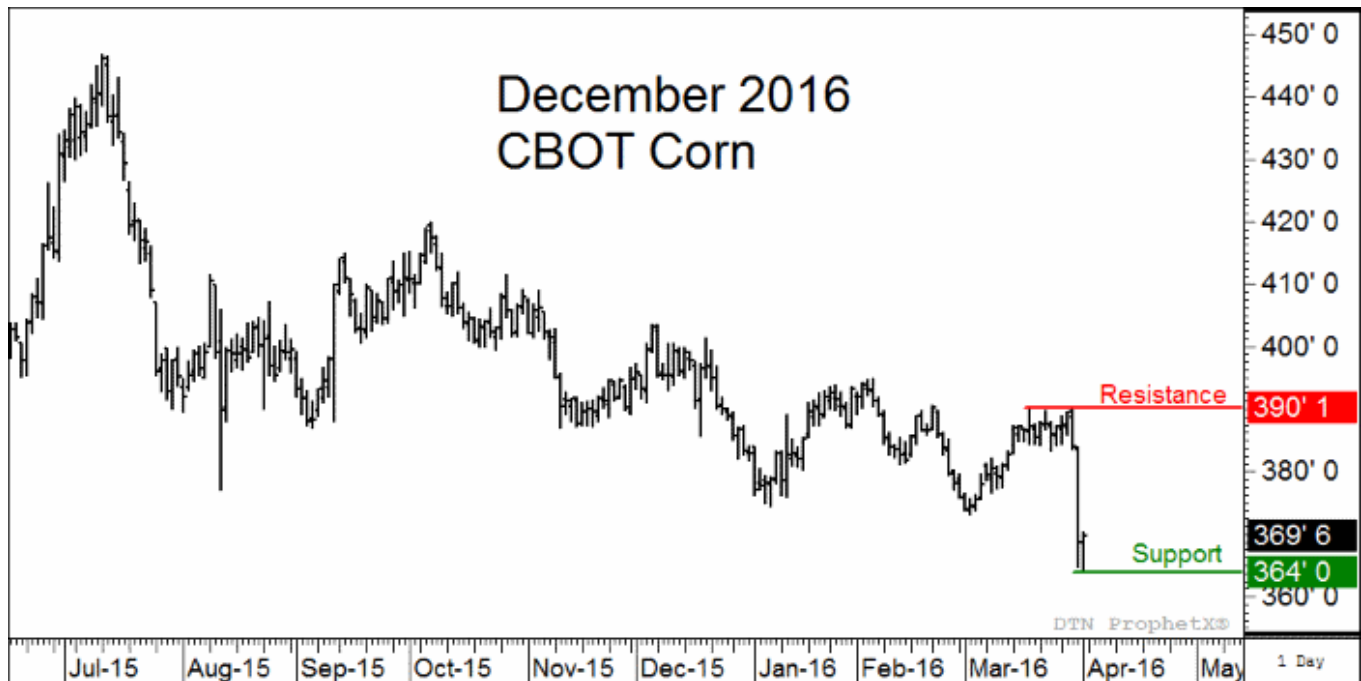
Corn: 2015 Crop



May 2016 Corn futures closed lower this week. May corn futures started off the week a bit higher, trading up to major resistance at \$3.74 by mid-week when the USDA released the bearish acreage report. May corn futures put in a new contract low and put in a new low close for the May corn futures. We will need to see a Friday-to-Friday higher close to break us out of this new downtrend. For now, support comes in at \$3.47 with resistance at \$3.55 and then \$3.67.

For the week: May corn had a 27 cent trading range and closed down 16 cents from last Friday.

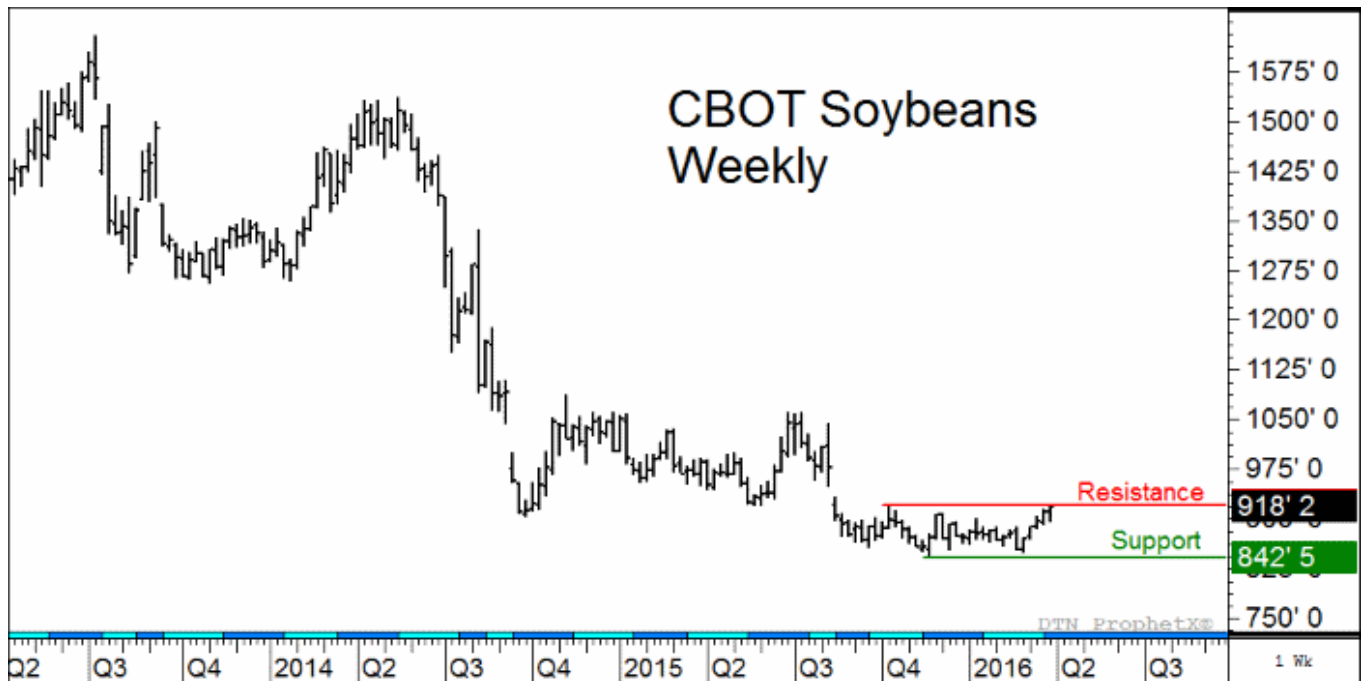
Corn: 2015 Crop



December 2016 Corn: December 2016 corn was lower this week. December corn futures had a rough week. We took out last week's low and put in a new contract low plus closed at a new contract low price for December corn futures. The downtrend stays intact until we see a Friday-to-Friday higher close. Once we get that, we will likely go into a sideways trend. For now, support comes in at \$3.64 with resistance at \$3.73 and then \$3.84.

For the week: December 2016 Corn had a 26 cent trading range and closed down 17 cents this week.

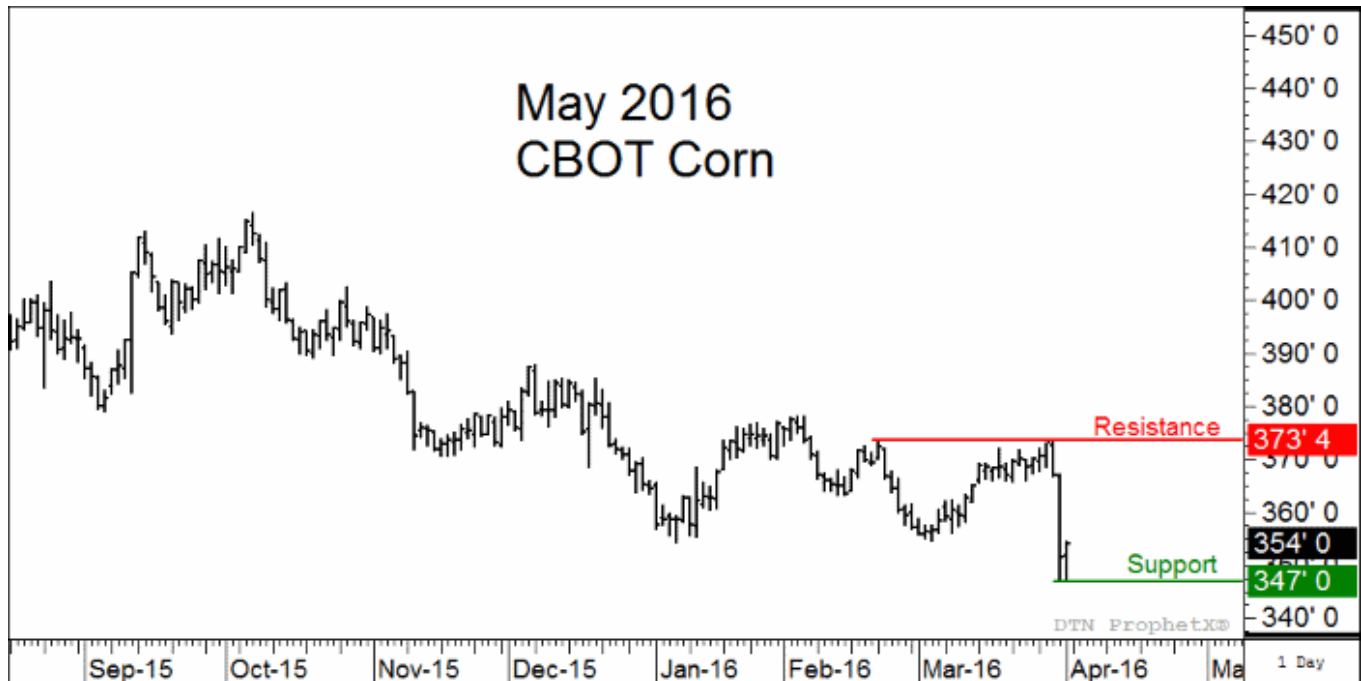
Soybeans: Long term



Soybean futures closed higher this week. Nearby soybeans continued its higher streak by closing higher for the 5th straight week in a row. We also posted the highest close in the past 24 weeks. Watch for the first Friday-to-Friday lower close to break us out of this uptrend. We are getting close to some major resistance \$9.20 and then \$9.33 before we start filling the gap we left back in August of 2015. Support now comes in at \$8.92 and then \$8.49.

For the week: The nearby soybean continuation chart had an 24 cent trading range this week, with prices closing up 8 cents from last week.

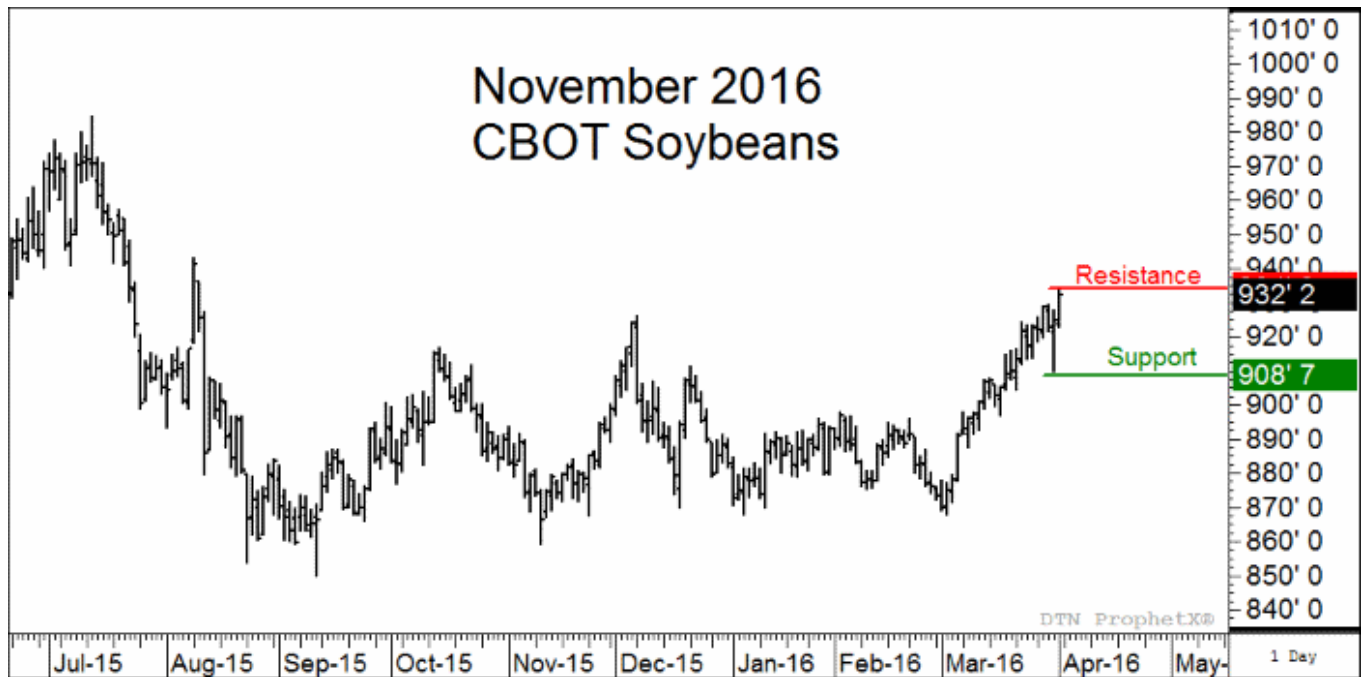
Soybeans: 2015 Crop



May Soybean futures closed higher this week. May soybeans ended the week very strong after dropping lower along with corn early in the day on Thursday. After taking out the previous 2 days' low, soybeans looked vulnerable. However on Friday we put in a new contract high for the week and closed above last Friday's high as well. The uptrend stays intact. Resistance comes in at \$9.20 and then \$9.33 with support at \$8.96.

For the week: The May soybean chart had a 24 cent trading range, with prices closing up 8 cents from last week.

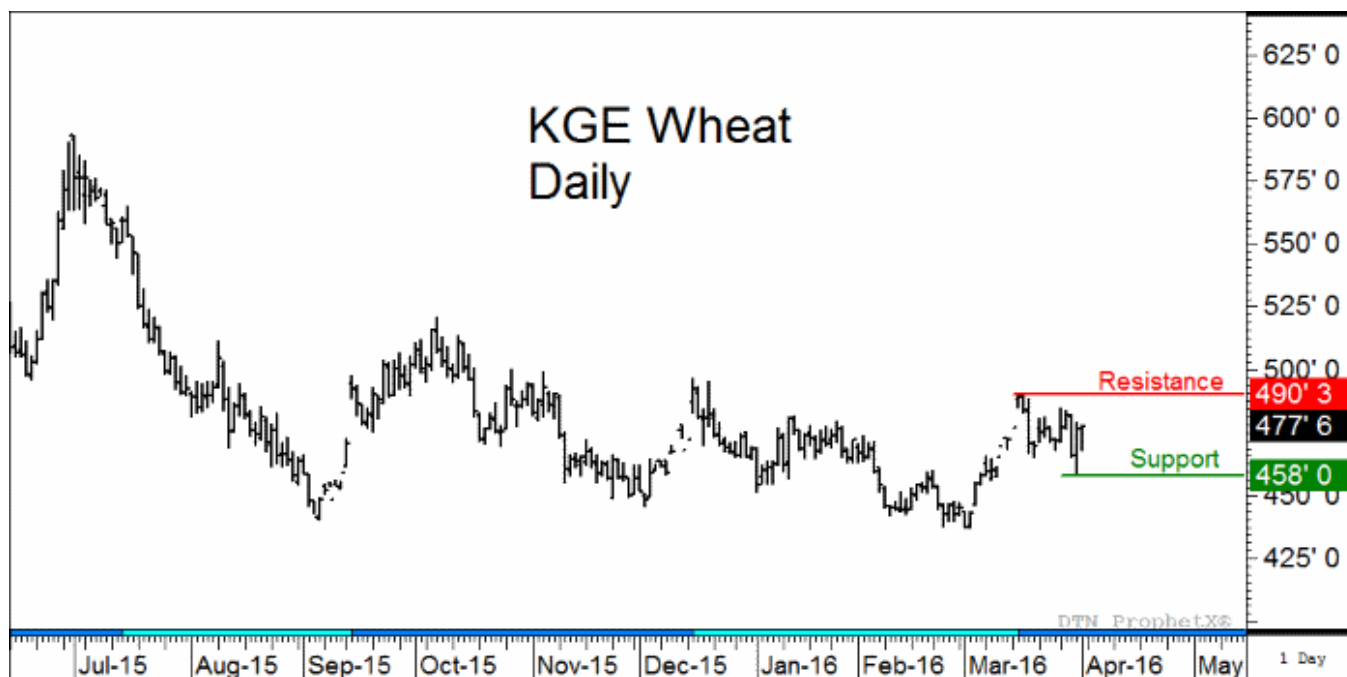
Soybeans: 2015 Crop



November 2016 Soybean futures closed higher this week. November soybeans also had an impressive week of trading. After shrugging off weakness due to the USDA report on Thursday, November soybeans put in a new high for the week and closed very strong as well, closing at the highest level in 37 weeks. Watch for the first Friday-to-Friday lower close to stop the uptrend. Resistance comes in at \$9.34 and then \$9.43. Support comes in at \$9.04 and then \$8.68.

For the week: July 2016 Soybean futures had a 24 cent per bushel trading range and closed up 10 cents from last week.

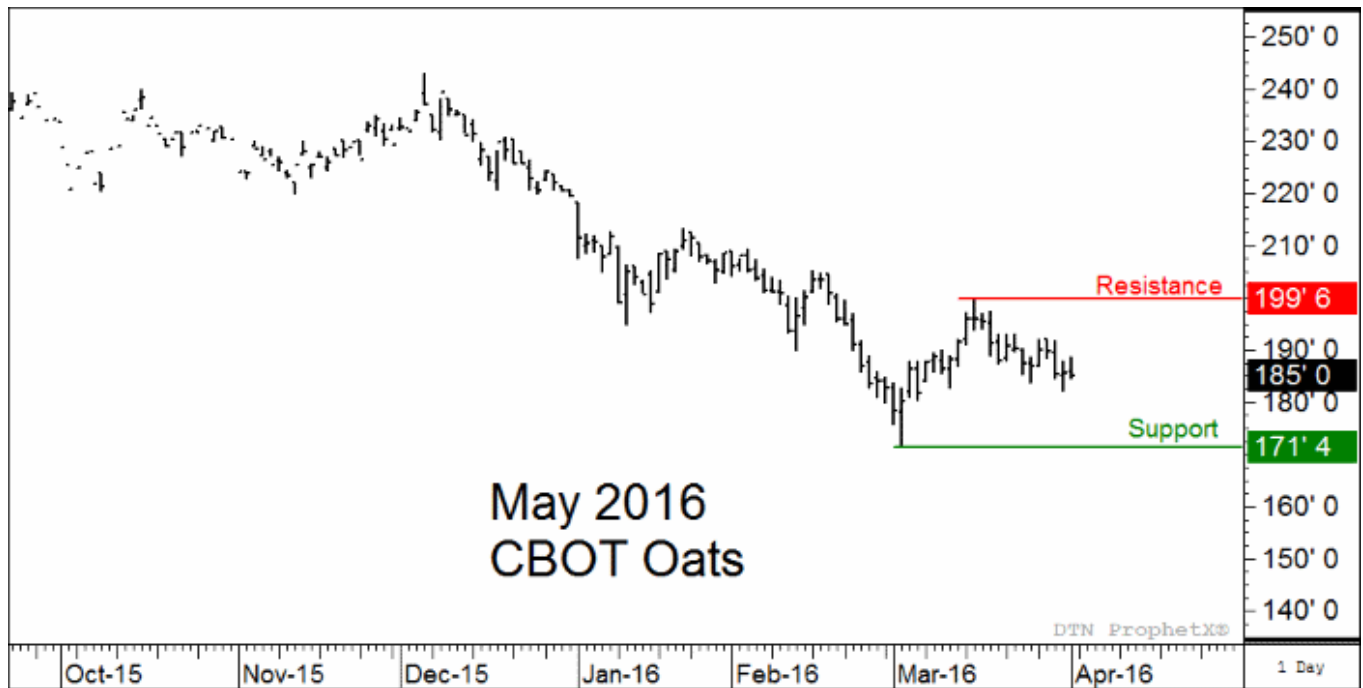
Wheat



KC Wheat futures closed higher this week. Kansas City wheat had a roller coaster of a week. We started off higher, saw it all go away on Wednesday, and finally rallied back at the end of the week. We did take out the previous 2 weeks low, however we did not close down there, thus keeping the sideways trend intact for now. To get wheat back into an uptrend, we will need to take out and close above the previous 2 weeks' high of \$4.90. Support now comes in at \$4.59.

For the week: KC wheat futures on the continuation chart had a 26 cent trading range and closed up 6 cents from last week.

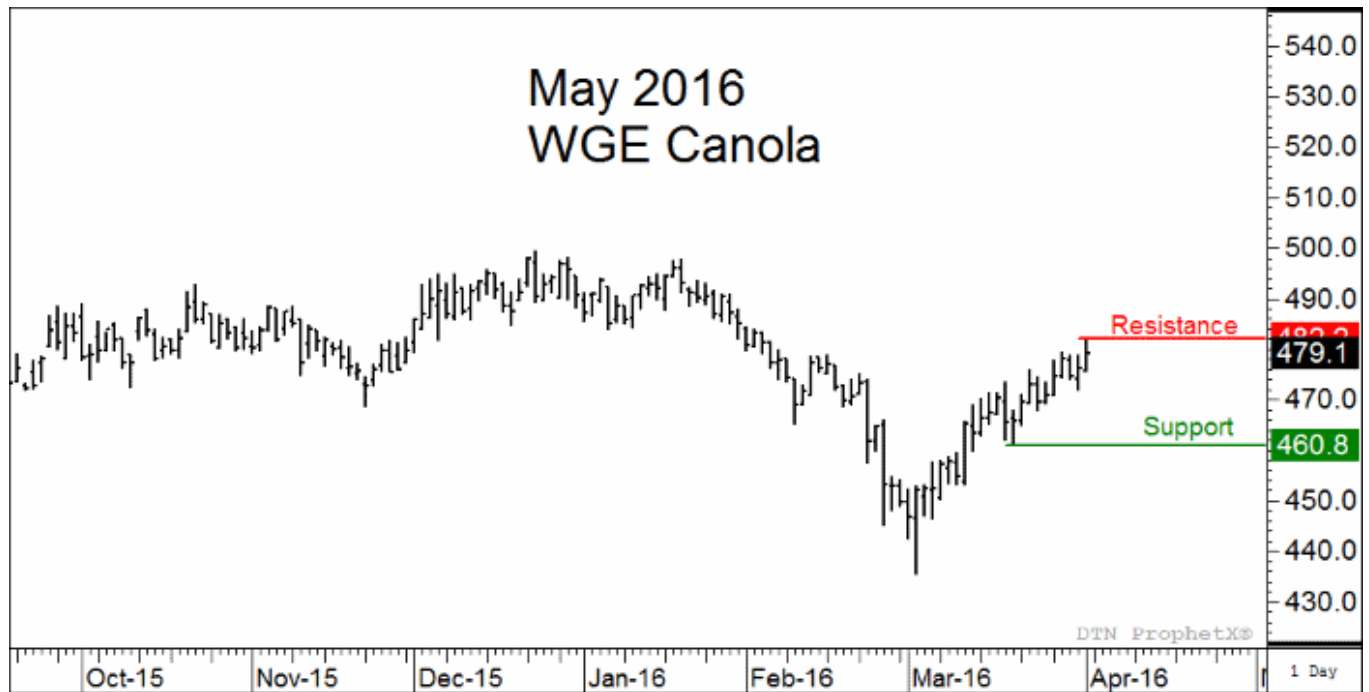
Oats



May Oats closed lower this week. May oats continues to stay in its downtrend for the 3rd week in a row. The steepness of the downtrend seems to be slowing a bit. However it will take a Friday-to-Friday higher close to break us out of the downtrend. Support comes in at \$1.82 with resistance at \$1.92.

Strategy: You have 40% of your 2014 oats sold. If May oats rallies to \$2.10, then get 100% of the 2014 oats priced.

Canola



May Canola closed higher this week. May canola closed higher for the 4th week in a row and closed at its highest level in 10 weeks. The uptrend will continue until we get a Friday-to-Friday lower close on the May canola. Support comes in at \$471 and then \$465. Resistance comes in at \$482 and then \$485.

Strategy: Cash 2014 sales are at 100%. You have 40% of your new crop 2015 canola hedged. If May futures rally to \$500, then get to 60% hedged.

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