

# Crop Marketing STRATEGIES

## Resetting Your Corn & Soybean Futures Price Objectives

The coronavirus pandemic collapsed portions of the economy and impacted corn and soybean through demand uncertainty, thus lowering prices. Also, the dispute between Saudi Arabia and Russia sent crude oil prices to their lowest price levels in 18 years, resulting in negative profit margins for ethanol plants who slowed or shuttered their production. And, the spread of coronavirus in South America limited export shipments at a time they were harvesting and shipping their large 2020 crop production.

Since mid-January, July corn and soybean futures prices declined by roughly 18% and 16%, respectively. The decline in ethanol to blend for transportation fuel likely decreased corn demand by more than 300 million bushels for the 2019 crop. Expect national average farm cash prices for both crops to decline in the April 9 World Agricultural Supply and Demand Estimates (WASDE) report.

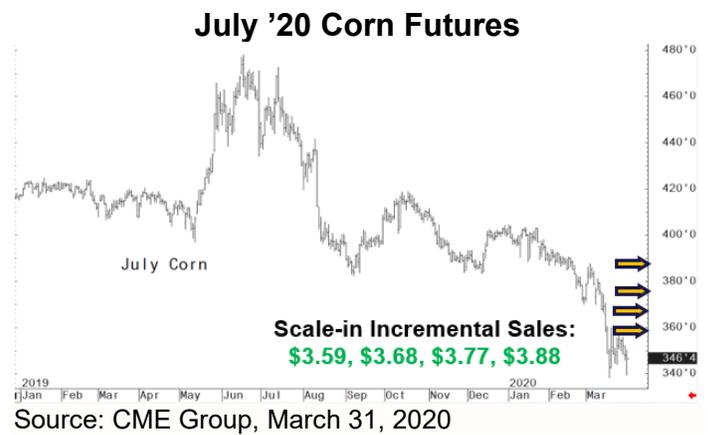
### Spring futures price rally trends

This spring and summer weather will be vital in determining both planted and harvested acres as well as the potential crop size. With existing cold and wet soils across much of the Corn Belt, expect both delayed and possibly prevented planting acres from supporting futures prices.

As a result, short-covering rallies will likely occur as speculators buy back their “short futures” contracts and provide new speculative money to go “long futures.” Such rallies for December corn futures have occurred during the spring months each of the past five years by an average of \$.59 per bushel.

### Resetting Corn Futures Prices

The July '20 corn futures contract traded at a life-of-contract low of \$3.31¼ per bushel on April 6. Expect a potential Fibonacci retracement of at least 38% or 50% of the difference between the Jan. 2 high of \$4.04½ and this price low. Those futures price objectives would be between \$3.59 and \$3.68 per bushel. Consider making scale-in incremental sales when these price levels are reached. Possible, but not highly probable, is if July futures prices were to reach the \$3.77 and \$3.88 per bushel levels, which are 62% and 78% retracements of that same price range.



The December '20 corn futures contract traded at a life-of-contract low of \$3.46¼ per bushel on April 6. The December '20 corn futures price high of \$4.04¾ on January 15. Expect a potential Fibonacci retracement of at least 38% or 50% of this difference, which results in futures price objectives between \$3.68 and \$3.76 per bushel. Consider scale-in incremental sales when these prices are reached. There is likely stiff technical resistance if prices were to reach the \$3.83 and \$3.92 per bushel level, which are 62% and 78% retracements of that price range.

If the December '20 corn futures price would exceed the \$4.00 per bushel level, consider using futures hedges or buying put options to protect futures prices.



Producers should always consider making pre-harvest sales for both corn and soybeans when futures prices are above the crop insurance spring projected prices. A producer that purchased Revenue Protection (RP) crop insurance with relatively low expected corn and soybean breakeven prices might consider making new crop sales before futures prices are above these \$3.88 per bushel corn and \$9.17 per bushel soybean levels. During the last six years, spring projected prices had exceeded the harvest prices for corn every year and soybeans five out of those six years.

### Resetting Soybean Futures Prices

The winter high price for July '20 soybean futures was \$9.84¼ on Jan. 2. The life-of-contract low of \$8.29 per bushel was reached on March 18. Expect a potential Fibonacci retracement of at least 38% or 50% of this difference, which results in futures price objectives between \$8.88 and \$9.07 per bushel. Consider scale-in incremental sales when these prices are attained. There is likely stiff technical resistance if prices were to reach the \$9.25 and \$9.50 per bushel level, which are 62% and 78% retracements of that price range.

### July '20 Soybean Futures



The winter high price for November '20 soybean futures was \$9.82¾ on Jan. 2. The life-of-contract low of \$8.36¾ per bushel was reached on March 18. Expect a potential Fibonacci retracement of at least 38% or 50% of this difference, which results in futures price objectives between \$8.92 and \$9.10 per bushel. Consider scale-in incremental sales when these prices are reached. There is likely stiff technical resistance if prices were to reach the \$9.27 and \$9.50 per bushel levels, which are 62% and 78% retracements of that price range.

### November '20 Soybean Futures



### Conclusion

Write down your price and time objectives now before price volatility returns. A written marketing plan can help provide discipline to implement sales and more accountability if shared with others, such as a grain merchandiser or broker.