It’s early-January and cash flow needs are on the mind of most farmers and their lenders. The decision whether to market corn or soybeans likely depends on your actual 2018 breakeven price, cost of grain ownership since harvest and your expectations for both nearby and deferred futures prices.

U.S. farmers produced a record soybean crop projected at 4.6 billion bushels. The Dec. 11 USDA World Agricultural Supply and Demand Estimates (WASDE) indicated U.S. soybean ending stocks at the end of August 2019 will be 955 million bushels, the largest in history. The weighted average national cash price for the marketing year is projected to range between $7.85 and $9.35 or a weighted average of $8.60 per bushel.

The nearby soybean futures contracts have rallied nearly $1 per bushel from their harvest low in mid-September through mid-December. In addition, basis has narrowed by an average of 30¢ per bushel since harvest at most Central Iowa co-ops.

These low cash prices are mostly offset by the Market Facilitation Program (MFP) payment of $1.65 per bushel based on 2018 actual production. Add the MFP to the cash soybean price being offered and compare this to your actual breakeven price. Now consider your cost of ownership for storing these unpriced bushels.

Using Fibonacci Retracements

Here’s a pretty simple way to establish a futures prices objective that have proved the test of time: Fibonacci retracements. Fibonacci (c. 1175 – c. 1250) was an Italian mathematician from the Republic of Pisa. He was considered one of “the most talented Western mathematician of the Middle Ages.”

A Fibonacci retracement is a term used in technical analysis that refers to areas of support (price stops going lower) or resistance (price stops going higher). The retracement ratios are found in the Fibonacci sequence. The most popular Fibonacci retracements are at 61.8% and 38.2%. Note that 38.2% is often rounded to 38% and 61.8 is rounded to 62%. The midpoint would be a 50% level of retracement.

Let’s use Fibonacci retracements to try to measure the potential for the March 2019 soybean futures prices to retrace its movement from April 2 high of $10.54½ to the Sept. 18 low of $8.39¾. That’s a difference of $2.14¼ per bushel. The Fibonacci method suggest multiplying this amount times 38%, 50% and 62% as representative retracement levels.

**March ‘19 Fibonacci Retracements**

Source: [www.cmegroup.com](http://www.cmegroup.com)  Dec. 31, 2018

<table>
<thead>
<tr>
<th>Fibonacci Retracement</th>
<th>Level</th>
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<tbody>
<tr>
<td>61.8%</td>
<td>$9.72</td>
</tr>
<tr>
<td>50%</td>
<td>$9.47</td>
</tr>
<tr>
<td>38.2%</td>
<td>$9.22</td>
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</table>
This would leave price objectives for the March ‘19 soybean futures contract at levels around $9.22, $9.47 and $9.72 per bushel, respectively. The $9.22 per bushel objective was reached on Dec. 3 and again on Dec. 12. If you needed to sell soybeans this winter, this could likely have been an attractive level. The best basis will likely be at a soybean crush facility while most elevator and co-op bids will be 20¢ to 30¢ wider basis.

Selling the Carry

Soybean futures price carry is the difference between the nearby March soybean contract and the more distant or deferred months of May and July. On Dec. 31, soybean futures carry was 11¢ from March to May and another 12¢ from May to July. This 23¢ would likely cover the cost of on-farm stored bushels, but perhaps not bushel stored commercially.

Consider capturing this carry (May or July) via a futures hedge or initiate a Hedge-to-Arrive (HTA) contact for spring delivery when basis tends to narrow. Delivering bushels in April or May could provide some of the best basis opportunities as farmers and elevators are busy with spring tillage, applying fertilizer and related planting activity.

Fibonacci retracements are easy to calculate, especially when large futures price moves have occurred – such as soybeans in 2018. Using these retracements, try to sell July futures or HTA using July soybean futures contract to capture the carry that still exists between the nearby March and deferred July contract.

The Brazilian soybean harvest is just beginning, and yield prospects are large despite a dry December. Expect soybean exports from Brazil to begin shipping in mid-January targeting Chinese needs with the ongoing tariffs of 25% on U.S. soybeans.

Lessons Learned

There is no one technical chart signal that works 100% of the time. Many speculators use technical such as Relative Strength Indicators (RSI), Moving Averages and Stochastics. The importance is having a futures price objective for these unpriced bushels that need to be marketed to generate cash flow this winter or spring.

Be prepared to take advantage of winter pricing opportunities for soybeans while the uncertainty of South American production exists. Expect China to purchase large volumes of Brazilian soybeans to offset the shortfall of U.S. soybean sales this fall and early winter due to ongoing trade disputes. U.S. ending stocks are forecast to be record large at the end of August 2019.