



## **How to Sell Soybeans and Buy Corn**

By Chris Lehner (Mar 29)

Over the past month there have been several reports about buying corn acres from soybeans. If farmers simply considered differences of the futures as many traders do or the differences of RMA prices, \$10.16 for soybeans and \$3.96 for corn, soybeans will be planted. Of course, crop rotation remains one of the prime decision makers on what to plant and with last year, the year rotation moved to soybeans, it is likely what producers say they will plant when surveyed, may change as they fill boxes on the planter.

But as I have reported in past commentaries, there is going to be a percentage of farmers, I feel about 20 percent to 25 percent, that are planting soybeans because it is cheaper to plant soybeans. Securing an operating loan isn't as simple as going up to the locally owned bank, where the producer knew the banker or banker's family since grade school, shaking hands and the producer coming back after harvest with checks in hand from the local elevator. Securing a loan is like any business. Banks want proof at the time of the loan that payments can be made with detailed profit/loss statements, equity to debt and much more than simple net worth. With grain prices falling yearly since 2012 and with some farmers having high debt to equity ratios, operating loans are calculated on what will give the return to the bank and with the cost of planting soybeans versus corn, bankers are limiting loans.

As I write, the morning before the USDA releases 2018 planting intentions and the quarterly Grain Stocks report, like many I am waiting to see if U.S. producers are going to plant more acres to soybeans than corn for the first time and waiting to see just how much old crop needs to be sold. Over the past week when I have been asked what to do as far as buying or selling, I have said to wait. With a three day weekend after the report, fundamental traders will have time to read it, let the dust settle and Monday, April 2<sup>nd</sup>, with the beginning of a new month, traders will begin to start trading U.S. weather for planting and expectations for the summer.

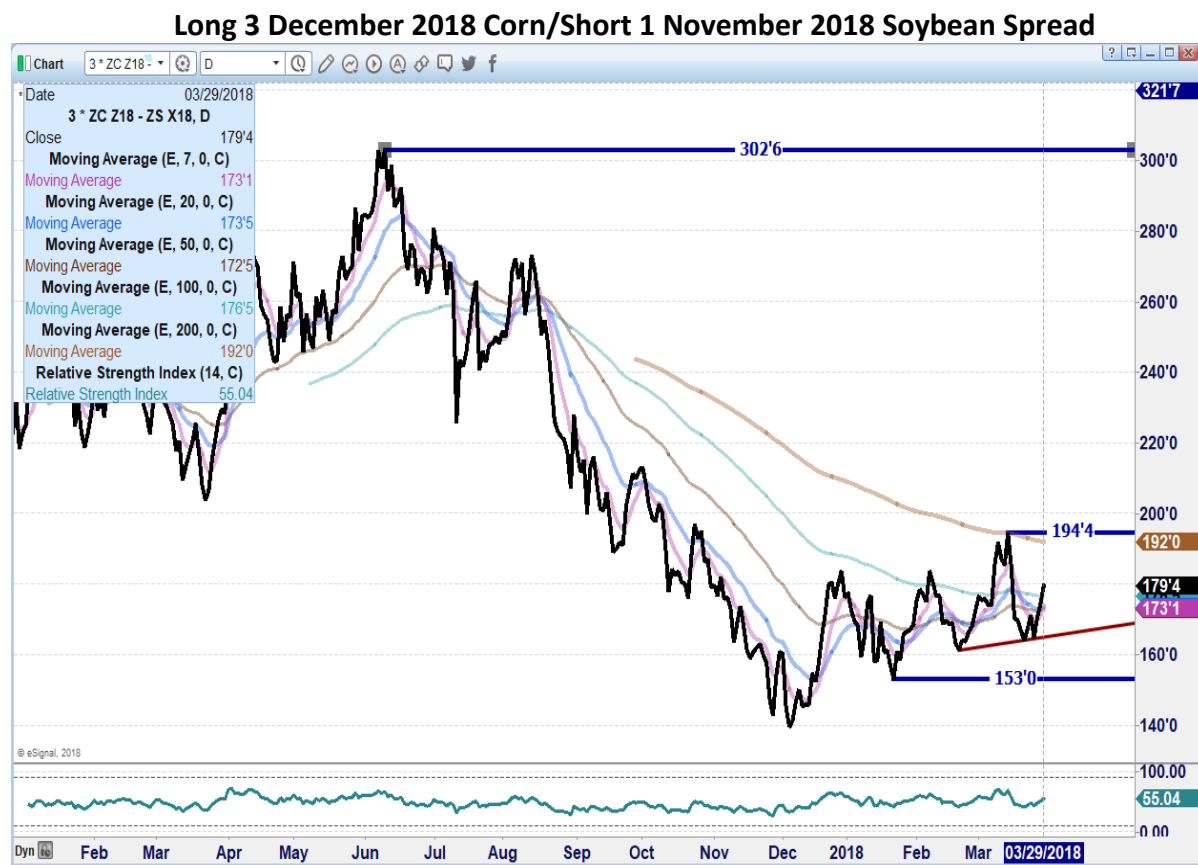
Normally within nanoseconds after the USDA releases reports, and before the human eye can read one word or most desk top computers can open a report, grain futures move and often unpredictably in both directions. Of course, the extreme volatility is due to the algorithmic programs that are set to trade fractions of a second after reports are released, contingent on how many formulas are preset to buy or sell and how many stops are above or below the market.

In last week's report, "[Is It Time to Buy Corn and Sell Soybeans](#)," part of the last sentence was; find out where to sell soybeans and buy corn. Actually, it is a spread I that am suggesting. For several reasons, I believe demand for corn will grow in 2018 and beyond and depending how the

Argentine drought ends up affecting world demand, or how planting conditions along with soybean stocks change the price for soybeans after the recent rally, buying corn and selling soybeans is my preferred way to move through the spring into 2019.

More than likely, I will use other months than December 2018 Corn and November 2018 Soybeans because clients hedging fall crops will need to use them. I will look at several months when it is time to place the trade and there may not be a time to trade it. Currently, I like waiting until the spread closes over the 200 exponential moving average.

The chart clearly shows the market has bought soybean acres and if reports prove it, along with demand for corn, corn once again will become King Corn.



**Chart as of March 29, 2018 at 9:30AM central U.S. time from eSignal Interactive, Inc.**

Wait for future reports on where, when and if it is time to trade or open an account and know as soon as clients are alerted. Call me at 312.242.7942 or send me an email to [chris.lehner@archerfinancials.com](mailto:chris.lehner@archerfinancials.com).

Would you like to open an account with Chris? Go to our interactive New Account application at [Open An Account](#). It is fast, saves on postage and it's green.

*Futures and options trading involve significant risk of loss and may not be suitable for everyone. Therefore, carefully consider whether such trading is suitable for you in light of your financial condition. The risk of loss in trading futures and options can be substantial. Past results are not indicative of future results or performance. The views and opinions expressed in this letter are those of the author and do not reflect the views of ADM Investor Services, Inc. or its staff. Research analyst does not currently maintain positions in the commodities specified within this report. The information provided is designed to assist in your analysis and evaluation of the futures and options markets. However, any decisions you may make to buy, sell or hold a futures or options position on such research are entirely your own and not in any way deemed to be endorsed by or attributed to ADMIS. Copyright ADM Investor Services, Inc.*