Clear Focus Hedging News and Views
March 1, 2025

“Rally Ends Abruptly, What Now?”

The past week was not a good one for the producer to say the least. March corn has lost about 50 cents off the high set recently. December has lost about 25 cents off the high, and beans have not fared much better. We have been concerned about the size of the fund long, improving South American weather, and the constant chatter over tariffs and potential export business or the loss of it going forward. A major correction was no surprise, and the charts look bad right now as some technical damage was done. Will the selling continue? Can we get a rally back? Since the bullish January reports it has been a great ride up and hopefully producers rewarded it with substantial sales. Our first idea is to watch the basis, as sometimes a drop in futures shuts down the farmer selling and basis responds positively. On the other hand, if enough grains have been sold, there won’t be a need to narrow basis until those supplies are used up. Watch this closely in your area! In the meantime, we are not ready to give up on better prices just yet, and may be getting close to owning call options to cover new crop bushels already sold for the following reasons:

1. While South American weather has improved, there is still a long way to go before the crop is made. Second crop corn in Brazil amounts to about 75% of total production. Weather!
2. Domestic demand in Brazil is increasing, keeping basis strong and pressure off the export market
3. There is concern, although very early, about dryness in the west and a wetter outlook in the East for our planting season
4. The USDA Outlook Board used a 94 million corn acre number with 181 national yield. After last year only planting 90.4 million acres, we could only get 179 with good weather overall
5. The break in price should allow ethanol margins to improve.
6. Corn exports and ethanol numbers continue to indicate USDA may be too low on those numbers, we could see both bumped up in the March 11 Supply/Demand Report

On the negative side, the funds still hold a large long according to the CFTC report listed yesterday, showing long corn at 337,000. Remember that it is a Tuesday to Tuesday snapshot, so the selling on Wednesday through Friday is not included, but a large long relative to history remains. Beans are likely neutral to a touch negative today, as of last Tuesday they were only long about 8,000, and they still hold a large, short in wheat of at least 67,000 which is probably larger after the late week sell off. South American weather has improved, and after a slow start, bean harvest is actually running ahead of average, as well as Safinha corn planting now ahead of the 5-year average with about 70 planted as of the figures released yesterday. Getting this corn planted is ideally done by early March to avoid pollination in the warmer and drier season, so for now, they are in decent shape. Looking ahead the following are what we are watching:

1. March 11 USDA Reports: South American production, demand changes, and carry outs
2. Price action this week: more selling or do buyers step up?
3. Weather forecasts: planting in the US has begun in the south. Any major threats?
4. Basis: will the sell-off improve basis levels?
5. Major reports on March 31! Planting intentions and Quarterly Grain Stocks

The rally and recent selloff have presented some good opportunities.

Here is what we are doing here on our farm:

2024 Corn

We have essentially sold all the 2024 crop via HTA contracts and have rolled them to May last week. Many of these were December contracts originally, and rolled to March at 18 cents, now to May at 13 cents for a 31-cent gain. We are content with that price average but may own some call options "just in case" any of the list given earlier become reality. We will be looking at fund positions closely here, and won't spend a lot of money on time value, but may look seriously at them if more selling takes place this week

2024 Soybeans

We have also sold all our 2024 soybeans via HTA contracts and have rolled out to May capturing carry and most likely a better basis.

2025 Soybeans

Given all the factors facing beans, we felt like we needed to "start" by doing an HTA for next November at $11.00. We want to add to these sales but will be patient as we have $10 floors in place that are good until April 25th using short, dated puts financed by selling $11 November calls. We will be patient for now on more sales with the floors in place, but any move near $11 may get some sales made

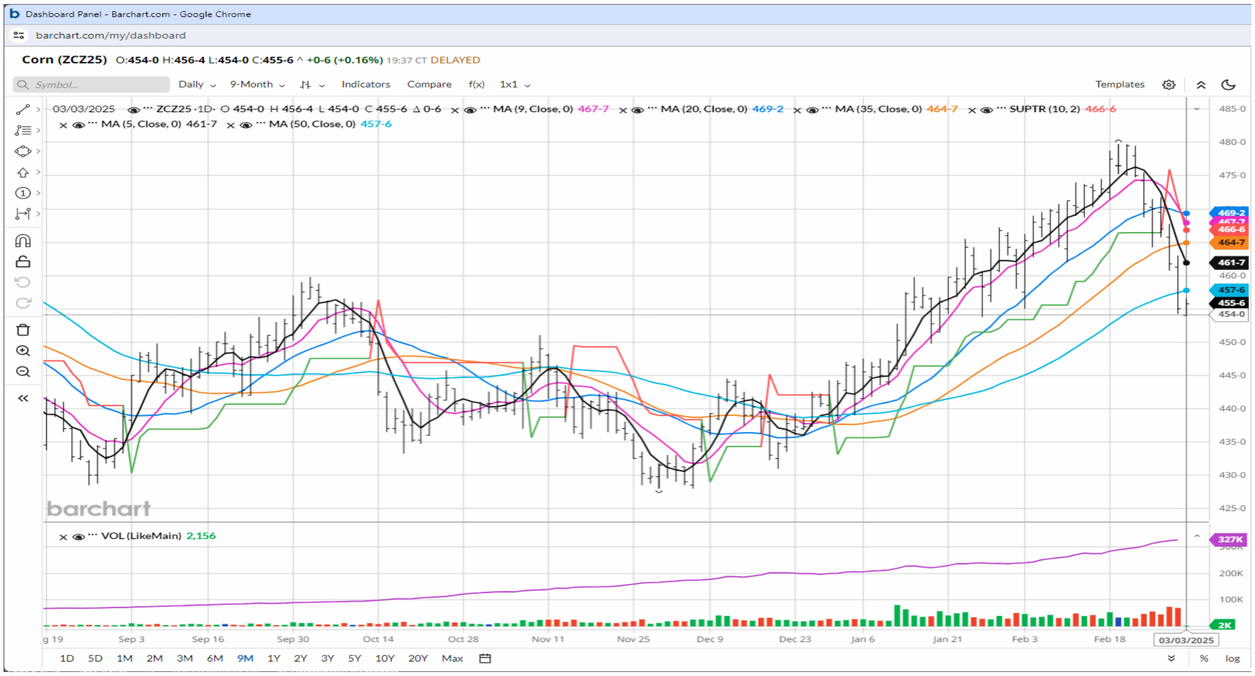
2025 Corn

Our long standing orders for HTA contracts got completed at $4.48, $4.49 and $4.50 during the Jan crop report, when the market rallied sharply. We added sales at $4.63 this past week (late January) and another at $4.73 this past week. We also added 4.60 short, dated December puts and sold full December $5.00 calls to cover all production. We may be overly cautious with the drop in carry out post report, but remain so due to fund length and demand questions. End users need to be profitable, and spec money doesn't use corn. We like having a floor in place and upside potential. With the recent break in prices, we are looking at short dated May expiration calls at either $4.50 or $4.60 strike prices to give us upside potential in case we have weather, demand, or report surprises. We are also not opposed to buying short dated calls and selling full December calls to pay for them, as we may be in a "window" or trading range that may work from both sides.

In conclusion, the rally was a great opportunity to get more sales on the books, and the sell-off may give us more opportunities. Even with the break in price, the new crop corn is still above $4.50, and the option spreads we talk about last month are still a reasonable approach. Beans can be covered as well if the price doesn't make you happy, maybe getting some puts in place makes sense to give the market time to rally back. Before the hectic planting season comes, and especially before the major reports coming out, make sure to go over your plan and get comfortable with your risk position. There is no guarantee the market will rally back to the highs, or sell off more, and frankly, we don't care, What we DO care about is selling (or protecting) a profitable price, and the last week shows us once again that a lot can be lost in a very short time!

These are some charts with moving averages – 9, 20 and 35 day along with an indicator called the Super Trend. These are indicators on market direction or points that we need to trade thru to change the direction. As you can see moving averages have crossed several moving averages and the Super Trend is currently negative.

December 2025 corn



November 2025 soybeans

Dates to remember:
Every Monday – Export Inspections at 10:00 am CST
Every Thursday – Export Sales at 7:30 am CST
Every Friday – Commitment of Traders Report at 3:00 pm CST

March 11th – Supply/Demand and Crop Production Reports
March 21st- Cattle on Feed at 2:00 CST
March21st- April options expire.

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