Clear Focus Hedging News and Views
May 1, 2025

"Demand vs Supply"

It all boils down to the title above, and how traders vote with their wallets. We have witnessed lots of volatility, with trade and tariffs dominating the headlines, but the bottom line is still what is available and at what price. There is a lot of variation in basis levels for old crops, as we see positive basis for corn and beans in the east but still lagging in the west. Not unexpected as overall yields were better in the west, but demand has taken the front seat in the east. Do we have a story in old crop developing? Consider the following:

1. Export demand remains strong for corn, slacking off for beans
2. 24-25 carryout for corn have been dropping, will it drop further in the May 12 reports?
3. Beans have been well supported even with Brazil harvest nearly complete.
4. Argentina harvest has been delayed, farmer selling very slow
5. Will trade deals come soon? Impact on grain trade?
6. Planting progress has advanced well ahead of average. Will it rain in the driest areas soon?

There are lots of moving parts in price discovery, but fund money flow is still the dominant factor. What will they do with their long position in corn, well off the highs, but still long. Our concern in managing risk is "what if they go short" like last year? Will the possibility of 95 or even 96 million acres planted offset the tightening old crop numbers? We have to be aware that this could happen and therefore remain cautious and willing to make sales on any good rally and keep some upside potential with some calls or futures spreads. Have a price in mind you can live with and call for some ideas on how to manage the risks both up and down. Looking ahead we will be watching the following:

1. Basis! Will we peak out during planting? Will more grain move after planting?
2. Weather: becomes increasingly important in long-term forecasts. It is a futures market!
3. If basis is good, consider selling and re-owning with July or short dated new crop calls.
4. Basis contracts can work well, but there is no downside protection for the board. Consider puts if you use them.
5. Using stops can be useful tools as well, call us for some ideas on how to use them to protect price or re own if you prefer futures to options.

Here is what we are doing here on our farm:

2024 Corn

We have sold all the 2024 crop via HTA contracts and have rolled them to May delivery. Basis is good here, so its time to move on. We are also looking at owning September futures or calls to re-own, with stops to limit risk if futures are used.

2024 Soybeans

We have also sold all our 2024 soybeans via HTA contracts and have rolled out to May capturing carry and basis is now set at +25 for delivery. It may get better, but we are happy with that level and will put the cash to work in other areas.

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 bought some short, dated May expiration 10.20 puts ahead of the report, and these have now expired. We still hold short November $11 calls and will look to add sales from $10.20- $10-40 which has been strong resistance. If resistance is taken out, we will look to own short dated calls to neutralize the short calls and hopefully add to our price

2025 Corn

Our long standing orders for HTA contracts were filled 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. These puts were exercised into short December futures at $4.60, and we will own short dated calls or September futures if we take out new resistance at 4.50. Call for specific plans and ideas that suit your needs.

In conclusion, the markets have sold off with the great start to planting and the weather forecast that looks favorable for now. Dryness concerns continue to gain some attention, but for now, the market seems content to wait and see. We don't know what will happen with trade deals, tariffs, or weather but we do have the ability to lay off some price risks. The key is to have a management plan in place so if we do get a rainy day like today, call or stop by to get some orders ready, or at least put some in with the elevator. You never know when an order will get filled, but it can't be if its not in! Have a safe and productive planting season, and remember to honor those who paid the price for us on Memorial Day.

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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
May 12th – Supply/Demand and Crop Production Reports
May 23rd- Cattle on Feed at 2:00 CST
May 23rd- June options expire.

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