



CHS Pro Advantage



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October 2020

Corn



We will switch gears to the 2021 crop for these updates. The 2021 corn has rallied along with the old crop, but it has not kept up penny for penny. In fact, the old crop is now at an inverse to new crop. That is a normal condition in a bull market. We had those conditions last year as well, but it is painfully obvious what a black swan event can do to a market.

There are four factors at play in today's market. Chinese demand is new and robust; a bullish influence. US supply is smaller than predicted a few months ago; a bullish influence. High prices may attract more acres next year; a bearish influence. Last, but not least, we have two full weather markets between now and next December. The supply and demand factors as we know them today look to be priced fairly, but the weather is a big unknown. It is dry in the US and Brazil is also waiting on a late rainy season. Both of those conditions can be eradicated easily with one storm.

We want to cover some bushels, but not be left in the dust if the weather does not cooperate, therefore we have sold futures and bought calls. That will likely be a strategy we use on an ongoing basis when ramping up this position.

We are roughly 50% sold on the Dec 21 futures and we own 25% in calls.



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Soybeans



November 2021 soybeans have certainly rallied off of their lows, but they have not nearly kept up with the front month November 2020 soybeans. They are roughly \$1.50 off of the lows made in April of this year but are just now getting into territory that could represent value for growers.

There are really only two stories in soybeans. China and South American weather. China has come into our market aggressively buying US beans almost daily since August. That supports the nearby contract much more than the 2021 futures. It is impossible to know how long they will be in our market, but for each passing week of good exports, our US soybean beginning stocks shrink for next year. If nothing else, that should support beans under any weather duress that appears next year. The rainy season has been late materializing in Brazil, and they are now 7% planted vs an average of 17%. This is by no means an emergency for beans, but there are concerns brewing. Interesting side note on Brazil is that they have suspended import duties on soybeans, since they have exported themselves into a domestic shortage. While not confirmed yet, they are rumored to have bought US beans this week.

We do have some hedges on below the current market in the form of roughly 40% sold futures. Our position also includes 20% calls, leaving us exposed to the upside on about 80% of the bushels under management.



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Wheat



HRW Wheat 2021



HRS Wheat September 2021



As mentioned on the last update, the wheat was acting well technically, so we had to react and protect ourselves from further moves higher, so we didn't get left behind. Our choice was to buy calls to stay involved in the upside momentum. For the past 5 years it has been the best strategy to sell early, which we did, but since the market is signaling higher moves, we can add value to those sales with calls.



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We are still bearish wheat, and especially 2021 wheat, since this rally is attracting a huge number of new acres in the US. SRW is particularly attractive when you look at the potential income from double cropping beans after wheat. We are hearing quality seed shortages in that part of the country. We are 100% sold in futures with 50% covered by call options.

HRW wheat has a significant drought to contend with and there are many acres that have been seeded that have not yet germinated (40%) but that is actually ahead of average for germination at this time of year. It has been dry in Kansas and the outlook is for little precipitation. For HRW we are 100% sold in futures but covered with 50% calls.

HRS wheat is lagging the other two as there is no shortage of spring wheat available in the US or Canada. The price is approaching \$6.00 so we are close to adding to our position of being 1/3 sold.



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Weekly Market Valuations

As of 10/19/20

Contract	Pricing Period	Futures Month	Current Market Valuation
Pro Advantage- 2021 Corn (1yr)	09/2020 - 09/2021	Dec 2021	\$ 3.9507
Pro Advantage- 2021 Corn (2 yr)	01/2020 - 09/2021	Dec 2021	\$ 3.9048
Pro Advantage- 2022 Corn (2yr)	09/2020 - 09/2021	Dec 2022	\$ 3.9722
Pro Advantage- 2021 Soybeans (2 yr)	01/2020 - 09/2021	Nov 2021	\$ 9.4496
Pro Advantage- 2021 Soybeans (1yr)	09/2020 - 09/2021	Nov 2021	\$ 9.6896
Pro Advantage- 2022 Soybeans (2yr)	09/2020 - 09/2021	Nov 2022	\$ 9.1250
Pro Advantage- 2021 Spring Wheat (2 yr)	01/2020 - 08/2021	Sep 2021	\$ 5.8391
Pro Advantage-2020 HRW Wheat (2 yr)	09/2020-05/2022	Jul 2021	\$ 5.7395
Pro Advantage-2021 HRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 4.9035
Pro Advantage-2020 HRW Wheat (1 yr)	09/2020-05/2021	Jul 2021	\$ 5.4756
Pro Advantage-2020 SRW Wheat (2 yr)	09/2020-05/2022	Jul 2022	\$ 5.9525
Pro Advantage-2020 SRW Wheat (1 yr)	09/2020-05/2021	Jul 2021	\$ 6.0489
Pro Advantage-2021 SRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 5.8609



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