



CHS PRO ADVANTAGE



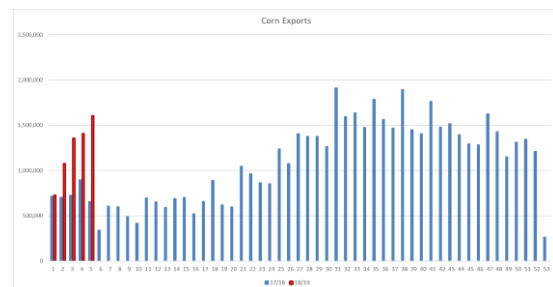
October 12, 2018

Corn



The only program currently open in Corn is the 2-year 2019 expiration contract. The daily chart covers the timeframe that the 2-year contract has been open. The relevant point here is the Fibonacci retracement levels; from the last move down, the current bounce has reached the 62% level and we are taking this opportunity to re-establish shorts above \$4.00.

The corn balance sheet got a boost from the October yield report reducing the size of the new crop and exports have been excellent to date. It is very early in the crop year but since our export facilities are not busy with usual Chinese soybean business, they are finding new homes for corn to keep the export machine moving.



The problem that we see down the road is the potential for a very large increase in acres. If the US/China do not resolve the soybean tariffs very soon, corn acres will increase dramatically and that will certainly keep a lid on 2019 prices.

2019 2-year Corn ending 9/20/2019. \$4.1268 (Oct 11, 2018 marked to market)

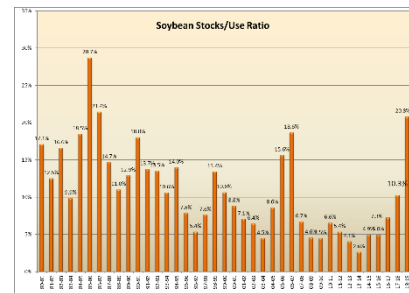
52% sold in outright futures, and we have sold 4.9% with a short straddle as well. Finally, we are short out-of-the money calls on 13.2%.

We have realized gains of 12.68 cents per bushel on all the bushels under management.

Soybeans



Obviously the US/China trade war is having an impact on Soybean prices. Exports are suffering and stocks are building. The main indicator or price is the stocks-to-use ratio; which is posted here going back to 1980. The current projection for the 2018/2019 crop year is at the highest level since the 1996 FAIR act was passed, removing supply management duties from the government. The carryout is now projected at 885 million bushels and that total is more than 300 mbu larger than any year in history.



The bearish side of the soybeans is well known as mentioned, the counterweight to that will be the potential (and required) reduction of acres in the next season. That number is an unknown, but with the huge carryout projected, this market needs to lose about 8 million acres just to reduce the 2019/2020 carryout to more normal levels around 400 mbu using trendline yields.

We remain very concerned about lower prices ahead, but as of now, the prices are at respectable levels.

2019 2-year Soybeans ending 9/20/2019: \$9.3015 (Oct 11, 2018 marked to market)

We are 58% sold in futures, and we have sold a 24.7% straddle as well. We are also short out-of-the money calls which would represent another 16% sale.

We have realized gains of \$.1023 per bushel on all the bushels under management that are the result of covering some futures contracts. Some of those contracts have since been resold.

Wheat



Wheat is in a flat and sideways pattern. The KC chart is featured, and it is within 2 cents of where it ended August. Chicago is within a penny and Minneapolis is up 13 from the last tick in August. The entire market is anticipating larger exports for the US considering the difficulties in the EU and elsewhere in the Northern Hemisphere. Australian production is also getting smaller and that provides some optimism for larger Pacific Rim business. However, as we are 1/3 of the way through the crop year, the US is over 100 million bushels short of where we should be at this point and on a very disappointing trajectory. We think that can be overcome, but for now exports are poor.

The pessimistic outlook on wheat is the large acreage increase that we are expecting in all three classes of wheat, based on 2 factors; the crop at this price is still profitable and the soybean acres are looking for alternatives.

We still look for that US export window to open in December or January and a rally in that window will need to be sold. For now, we are trading water with the markets with relatively neutral positions.

2019 2-year Spring Wheat ending August 23, 2019: \$6.5325 (Oct 11, 2018 marked to market)

50% sold in futures. We have realized gains of 39 cents on every bushel so far. We will look to re-establish more short positions on a price recovery.

2019 2-year HRW Wheat ending May 2019: \$5.4502 (Oct 11, 2018 marked to market)

We are 50.8% sold in futures, 4.7% sold in out-of-the-money options.

2019 1-year HRW Wheat ending May 2019: \$5.6006 (Oct 11, 2018 marked to market)

49.4% sold in futures. This offering is in the early stages, but we have booked 5.9 cents of realized gains.

2020 2-year HRW Wheat ending May 2020: \$5.9542 (Oct 11, 2018 marked to market)

54.5% sold in futures. This is a bit heavy this early in the trading window, but we wanted to capture the carry and secure a price near the \$6.00, which is historically a good sale.

2019 2-year SRW Wheat ending May 2019: \$5.5217 (Oct 11, 2018 marked to market)

No positions. We have a 4.9 cent realized gain on the books.

2019 1-year SRW Wheat ending May 2019: \$5.5817 (Oct 11, 2018 marked to market)

No positions. We have a 10.9 cent realized gain on the books.

2020 2-year SRW Wheat ending May 2020: \$5.8560 (Oct 11, 2018 marked to market)

No positions. We have a 4.1 cent realized gain on the books.



CHS PRO ADVANTAGE



Weekly Market Valuations As of October 11th, 2018

<u>Contract</u>	<u>Pricing Period</u>	<u>Futures Month</u>	<u>Current Market Valuation</u>
Pro Advantage- 2019 Corn (2 yr)	12-18-2017 - 9-20-2019	Dec. 2019	\$4.1268
Pro Advantage- 2019 Soybeans (2 yr)	12-18-2017 - 9-20-2019	Nov 2019	\$9.3015
Pro Advantage- 2019 Spring Wheat (2 yr)	12-18-2017 - 8-23-2019	Sep 2019	\$6.5325
Pro Advantage-2019 HRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.4502
Pro Advantage-2019 HRW Wheat (1 yr)	8-16 -2017 - 5-17-2019	July 2019	\$5.6006
Pro Advantage-2020 HRW Wheat (2 yr)	8-16 -2017 - 5-22-2020	July 2020	\$5.9542
Pro Advantage-2019 SRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.5217
Pro Advantage-2019 SRW Wheat (2 yr)	8-16 -2017 - 5-17-2019	July 2019	\$5.5817
Pro Advantage-2020 SRW Wheat (2 yr)	8-16 -2017 - 5-22-2020	July 2020	\$5.8560



chsproadvantage@chsinc.com

This material has been prepared by a sales or trading employee or agent of CHS Hedging, LLC and should be considered a solicitation. This communication may contain privileged and/or confidential information and is intended only for the use of the individual or entity to which it is addressed. If the reader of this message is not the intended recipient, you are hereby notified that any unauthorized dissemination, distribution, and/or use of this communication is strictly prohibited. CHS Hedging, LLC makes no representation or warranty regarding the correctness of any information contained herein, or the appropriateness of any transaction for any person. There is a risk of loss when trading commodity futures and options.