

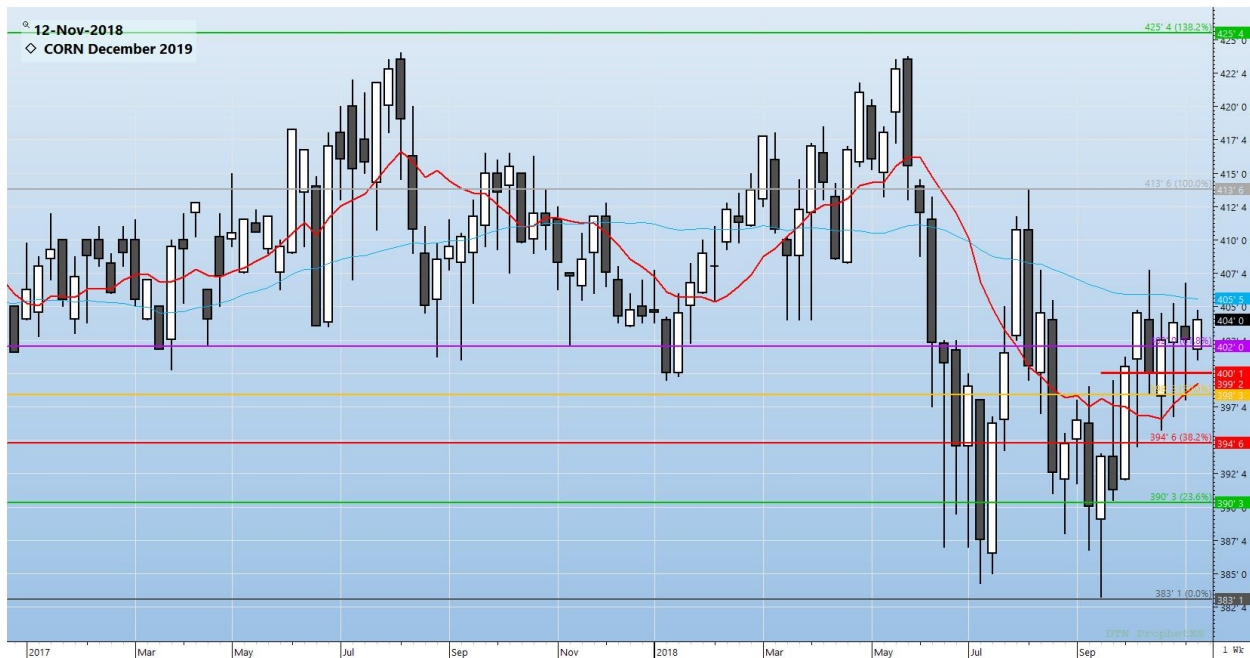


CHS PRO ADVANTAGE



November 12, 2018

Corn



The only program currently open in Corn is the 2-year 2019 expiration contract. The weekly chart covers the timeframe that the 2-year contract has been open. The corn market has basically been in a consolidation pattern for the past 5 weeks.

The major news in the past month has been yields as reflected on the most recent USDA reports. Yields dropped in October and then again more dramatically on the November report issued this past Thursday. The current yield estimate of 178.9 bu/acre is nearly 3 bu/acre underneath the September estimate. Based on history, the yield may drop further in January. This yield is closer to where we thought it was this past summer and unfortunately, the USDA is reporting that well after the close of our 2018 contracts. We also had another major story in the most recent USDA report, that being that China adjusted their reported corn yields upward by nearly 266 MMT over the past 10 years. The USDA adopted those production estimates and created new ending stocks estimates as a result. However, during that period the Chinese still imported corn, as well as a lot of Sorghum, Barley, and other

commodities. And their prices are still currently very high. In our estimation, these additional stocks are not relevant, and may not even exist. Disappearance may be higher than the USDA reported, either through more feeding, more industrial grind, or more spoilage.

From a pricing standpoint, the market (whether looking at the 2018 crop or the 2019 crop) has been homing in on fair value and the range of trade each week has been relatively stable. We think that the market is close to representing fair value here and that rallies should be sold while dips should be bought. There will be very little in the way of market moving news for the next 8 weeks and we are looking for this choppy trade to continue.

2019 2-year Corn ending 9/20/2019. \$4.1427 (November 09, 2018 marked to market)

We are 68.8% sold in futures, and we have sold an 8% straddle. We are also short out-of-the money calls which would represent another 18% sale.

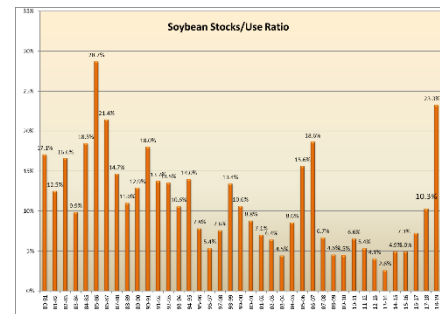
We have realized gains of \$.1169 per bushel on all the bushels under management that are the result of previous covering some futures contracts.

Soybeans



Continuing on last months' commentary, the elephant in the room is the US stocks situation and the subsequent calculations of stocks-to-use ratio. The stocks grew on the last WASDE report despite the drop in US yield projections by 1 bpa.

The US crop size should be fairly stable from this point on, but the next issue on the calendar is going to be the size of the South American crop, which currently projects to be 22 MMT larger than last year (+13%).



We will continue to maintain a defensive posture in this market.

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

We are 65.8% sold in futures, and we have sold a 25% straddle. We are also short out-of-the money calls which would represent another 8% sale.

We have realized gains of \$.1169 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 had a poor performance this month with several tests of support levels and one very poor settlement on the date of writing, Nov 9.

We think this market has enough of a global demand story (as well as shrinking stocks in other exporters hands) that there is a good potential to rally this market, at least to higher levels than we see today. We also note that SRW basis levels have been strong, and that SRW spreads have tightened dramatically.

We still look for that US export window to open in December or January and a rally in that time frame will need to be sold. For now, we are trading water in the wheat markets with relatively neutral positions, and no positions in SRW given the tighter SRW basis and spreads.

2019 2-year Spring Wheat ending August 23, 2019: \$6.4408 (Nov 09, 2018 marked to market)

We are 33% 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: \$5.3254 (Nov 09, 2018 marked to market)

We are 30.5% sold in futures, 30.5 % sold; out-of-the-money puts and 30.5% bought; out-of-the-money calls. 5 cent realized loss on the books.

2019 1-year HRW Wheat ending May 2019: \$5.4635 (Nov 09, 2018 marked to market)

We are 26.5% sold in futures. 26.5 % sold; out-of-the-money puts and 26.5% bought; out-of-the-money calls. 9 cents of realized gains on the books.

2020 2-year HRW Wheat ending May 2020: \$5.8620 (Nov 09, 2018 marked to market)

We are 43.6% 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. Negligible realized gains so far.

2019 2-year SRW Wheat ending May 2019: \$5.3335 (Nov 09, 2018 marked to market)

No positions. We have a 7.4 cent realized gain on the books.

2019 1-year SRW Wheat ending May 2019: \$5.4113 (Nov 09, 2018 marked to market)

No positions. We have a 15.1 cent realized gain on the books.

2020 2-year SRW Wheat ending May 2020: \$5.7735 (Nov 09, 2018 marked to market)

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



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Weekly Market Valuations As of November 09, 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	\$4.1427
Pro Advantage- 2019 Soybeans (2 yr)	12-18-2017 - 9-20-2019	Nov 2019	\$9.3694
Pro Advantage- 2019 Spring Wheat (2 yr)	12-18-2017 - 8-23-2019	Sep 2019	\$6.4408
Pro Advantage-2019 HRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.3254
Pro Advantage-2019 HRW Wheat (1 yr)	8-16 -2017 - 5-17-2019	July 2019	\$5.4635
Pro Advantage-2020 HRW Wheat (2 yr)	8-16 -2017 - 5-22-2020	July 2020	\$5.8620
Pro Advantage-2019 SRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.3335
Pro Advantage-2019 SRW Wheat (2 yr)	8-16 -2017 - 5-17-2019	July 2019	\$5.4113
Pro Advantage-2020 SRW Wheat (2 yr)	8-16 -2017 - 5-22-2020	July 2020	\$5.7735



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