



CHS PRO ADVANTAGE



At the request of our customers, we are experimenting with a simpler commentary; a broader overview of our markets with less trade detail. Please visit our website at www.chshedging.com under; Individual > CHS Pro Advantage for weekly price updates. Those prices include current positions, realized profit/loss and any unpriced bushels are marked-to-market on the day of publication to arrive at the published price.

January 17, 2019

Corn



The major chart pattern evident on the December 2019 Corn contract is that it is creating a pennant; which is a series of lower highs, and higher lows. This sideways consolidation has been in effect since

early fall. This chart formation does not indicate which direction that the market will breakout, only that a significant move is developing.

If you back off and examine the raw numbers on corn, it is logical to suggest that corn prices should have a propensity to go higher. In January of 2017 we had a projected carryout of 2.3 bbu, In January of 2018 we had a projected carryout of 2.5 bbu; both of those numbers got smaller as the actual numbers came in, but that was what we knew at the time. In both of those years we had a high in December futures near \$4.30. This year we have a projected carryout of 1.8bbu. The corn market, based on that fact alone, should have a good shot at making higher highs than the previous years. That high may not happen until spring, but the odds are good in our opinion.

The counter-argument to higher prices will be the expectation of higher acres. We usually get a rough USDA estimate at the USDA/Office of Chief Economist Outlook forum in late February and a hard estimate at the end of March; those are probably still on the table, but the government shutdown casts some doubt on that.

Our strategy for corn is to keep the topside of the market relatively open, meaning that if the futures price appreciates, the ProAdvantage price will appreciate with it.

Soybeans

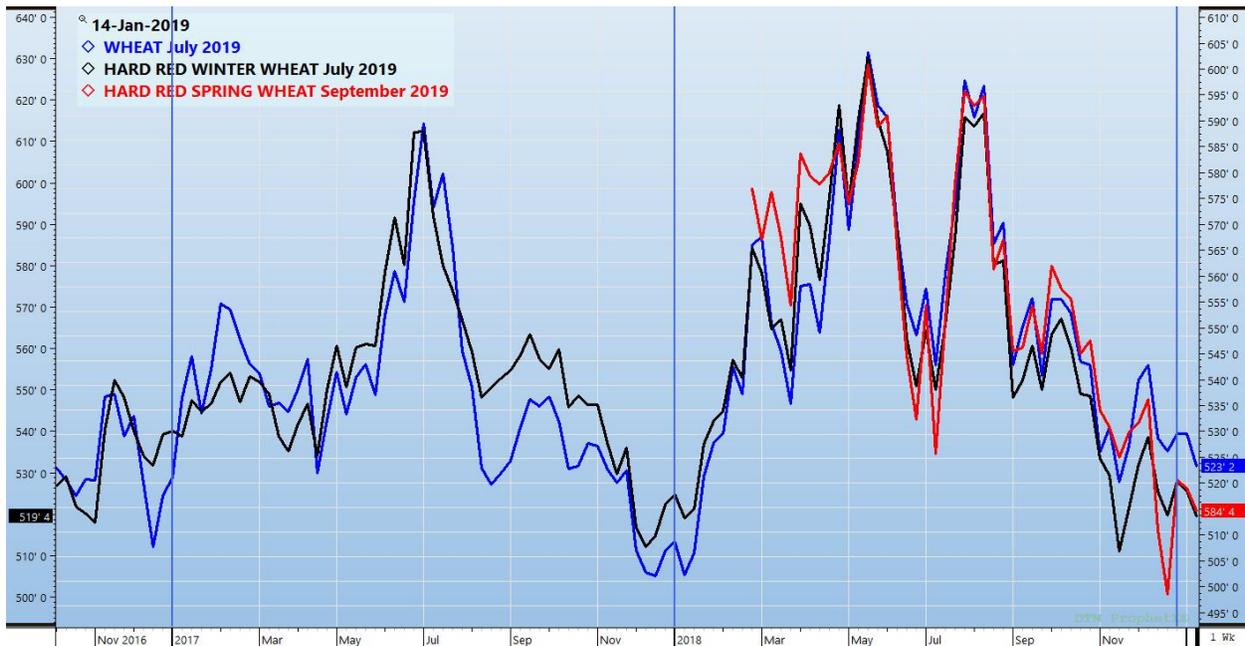


The soybeans have been acting remarkably strong considering the condition of our balance sheet and the state of trade. The major technical point to watch on new crop beans is that the Fibonacci Retracement targets have already been reached. Important Fibonacci recovery targets are the 38% (horizontal red line) and the 62% (horizontal purple line). Those targets are calculated from the major move down as marked by the dotted red arrow. The beans have pierced that target of \$9.57 but have not been able to hold there for any length of time. We think this bounce may be running out of gas.

As with corn we can do a broad look at soybean fundamentals by looking at the size of the bean pile on hand in relation to price. In 2017 with a carryout of 300 Mbu November 2017 beans made a high of \$10.47; in 2018, with a carryout of 440 Mbu November 2018 beans made a high of \$10.60. Today we are looking at a carryout in the US of 955 Mbu and we are staring at a record large South American crop and a serious trade dispute with our main soybean buyer. The backdrop for higher bean prices is not convincing.

For the reasons outlined above we are being a bit more aggressive on marketing soybeans, despite the fact that we do not like these prices. As is normal with our philosophy we will use a strategy that does keep some upside open in case something develops to change the soybean outlook in a meaningful way.

Wheat



Once again, we are overlapping all three wheat classes on one chart. There has been nothing exciting going on in the wheat market and little opportunity to establish well priced hedges in the new offerings. The main takeaway of the above chart is that the vertical lines represent the beginning of the calendar year. In the past 2 years the wheat markets have rallied after the first of the year. We will have to be patient to get prices that we are happy with.

The US wheat balance sheet is about the same as last year and significantly smaller than two years ago. The stocks/use ratio is still relatively heavy at 45%, but with US wheat priced very competitively in parts of the world, we may be exporting significantly more than we know at this point. We are blind to new commitments with the government shutdown. We are also missing the critically important winter wheat acreage number with no January USDA report. Our sources say the acres are down from last year and that is a departure from intentions due to the wet fall.

We want to keep the upside of wheat open for the most part so we can capture the anticipated price appreciation we expect this spring.



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Weekly Market Valuations

As of January 15, 2019

<u>Contract</u>	<u>Pricing Period</u>	<u>Futures Month</u>	<u>Current Market Valuation</u>
Pro Advantage-2020 Corn (2 yr)	12/2018 - 09/2020	Dec 2020	\$4.0984
Pro Advantage-2019 Corn (1 yr)	12/2018 - 09/2019	Dec 2019	\$3.9778
Pro Advantage- 2019 Corn (2 yr)	12/2017 - 09/2019	Dec. 2019	\$4.1456
Pro Advantage- 2019 July Corn	12/2018 - 06/2019	Jul 2019	\$3.9188
Pro Advantage-2020 Soybeans (2 yr)	12/2018 - 09/2020	Nov 2020	\$9.6678
Pro Advantage- 2019 Soybeans (1 yr)	12/2018 - 09/2019	Nov 2019	\$9.4269
Pro Advantage- 2019 Soybeans (2 yr)	12/2017 - 09/2019	Nov 2019	\$9.4702
Pro Advantage- 2019 July Soybeans	12/2018 - 06/2019	Jul 2019	\$9.1975
Pro Advantage- 2019 Spring Wheat (1 yr)	08/2018 - 08/2019	Sep 2019	\$5.8650
Pro Advantage- 2019 Spring Wheat (2 yr)	08/2017 - 08/2019	Sep 2019	\$6.3825
Pro Advantage-2020 HRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2019	\$5.6300
Pro Advantage-2019 HRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$5.4043
Pro Advantage-2019 HRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2019	\$5.7222
Pro Advantage-2020 SRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2020	\$5.6970
Pro Advantage-2019 SRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$5.4958
Pro Advantage-2019 SRW Wheat (2 yr)	08/2017 - 08/2019	Jul 2019	\$5.3861



CHS Hedging

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