



## 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](http://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.

February 2019

Corn



Last month we wrote about the pennant which has formed in the corn market. That pattern was broken to the down-side this week and we will be able to determine if it is a genuine breakdown in price or a bear trap. This week's settlement will be important.

The USDA finally gave us the final yield from last year and it was adjusted down to 176.4 bpa, down from a high estimate in September of 181.3 bpa. The resultant decline in production was roughly 200 mbu. Both of those numbers are bullish for corn, but on the demand side of the balance sheet, the USDA lowered domestic usage substantially. The result was a 45 mbu drop in projected ending stocks, which ultimately disappointed the market.

To be on the safe side we went into the report more heavily sold than we have been for most of the year; mainly in the form of short-term options. To use rough figures, we are about 60% sold in the July contract, and roughly 70% sold in the 2 December 19 contracts. Our intent is to realize some of those profits and position for more exposure to higher prices.

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



Soybeans, surprisingly, have been in an 8-month rally. As of today, the December high around \$9.71 look solid, so we are using the July low at \$8.64 to establish a Fibonacci range. The target for a retreat from the high is highlighted by the target zone box; \$9.05 - \$9.30. We are viewing this area with the intent to realize some profits on existing trades and open for any potential weather rallies.

The USDA report could be interpreted as bullish considering the fact that the ending stocks shrank from the last number we had; 955 mbu down to 910 mbu. That is still a very large number and on its face is not a friendly statistic for higher prices.

We are more pessimistic the soybean market and thus a bit more covered on the active 2019 bushels. We are roughly 75% in each of the 2019 marketing programs.

## Wheat



The wheat markets have been lack-luster performers over the past month. Kansas wheat made new lows for the move, Chicago touched its lows, but did not break them and Minneapolis has remained about \$0.15 above the contract lows.

The winter wheat acreage report was released, and it came in under the lowest analyst estimate and was the lowest planted acre number in history. Despite this, the markets went exploring near new lows. We note that one week after the acreage report last year the market went on a 90-cent run higher. That report was bearish.

We are very lightly sold in each market as we have realized profits on the shorts we once held. We fully expect the wheat market to recover and make a decent run higher. Our expectation is that exports, which are not being reported in a timely manner right now due to the government delays, are good and look to improve. If a deal with China finally materializes, we expect them to come for a good chunk of US wheat.

Please note that you can see the marked to market prices of all ProAdvantage marketing programs [here](#).



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### Weekly Market Valuations As of February 08, 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	\$4.1251
Pro Advantage-2019 Corn (1 yr)	12/2018 - 09/2019	Dec 2019	\$4.0515
Pro Advantage- 2019 Corn (2 yr)	12/2017 - 09/2019	Dec. 2019	\$4.1497
Pro Advantage- 2019 July Corn	12/2018 - 06/2019	Jul 2019	\$3.9292
Pro Advantage-2020 Soybeans (2 yr)	12/2018 - 09/2020	Nov 2020	\$9.7001
Pro Advantage- 2019 Soybeans (1 yr)	12/2018 - 09/2019	Nov 2019	\$9.5044
Pro Advantage- 2019 Soybeans (2 yr)	12/2017 - 09/2019	Nov 2019	\$9.5158
Pro Advantage- 2019 July Soybeans	12/2018 - 06/2019	Jul 2019	\$9.3300
Pro Advantage- 2019 Spring Wheat (1 yr)	08/2018 - 08/2019	Sep 2019	\$5.8025
Pro Advantage- 2019 Spring Wheat (2 yr)	08/2017 - 08/2019	Sep 2019	\$6.3583
Pro Advantage-2020 HRW Wheat (2 yr)	08/2018 - 05/2020	43666	\$5.5025
Pro Advantage-2019 HRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$5.2840
Pro Advantage-2019 HRW Wheat (2 yr)	08/2018 - 05/2020	43666	\$5.5953
Pro Advantage-2020 SRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2020	\$5.6157
Pro Advantage-2019 SRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$5.5074
Pro Advantage-2019 SRW Wheat (2 yr)	08/2017 - 08/2019	Jul 2019	\$5.4005



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