



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.

March 2019

Corn



The corn market finally broke out of the wedge pattern that had been developing for months. It moved first to the downside, then recovered in an impressive rally only to fail again under what is most certainly fund selling. Managed money does not often go into the growing season on the short side of corn, but when it does, the market has not treated them well. The funds are now short 177,000

contracts of corn on the latest (and now current: 03/05/2019) Commitment of Traders report. For perspective, the record short position is 230,000 and it is safe to say that the fund short position will have grown since the report deadline last Tuesday. The only other year that managed money came into spring planting with a significant short position was 2016. That year the market rallied more than 80 cents from April 1st to June 15th. The fundamentals going into that spring were similar to this year but the market was expecting higher acreage that year than our early projections today. We are expecting a spring rally, as happens almost every year, but this time the fund short position may provide even more fuel for a move higher.

We have been trading the range prior to the violation of the wedge pattern and have booked some realized profits. We don't put every bushel in play this early in the season, but the results have been good. Since the market collapse, we have moved all of our short futures positions into an option strategy that maintains a base price on a large portion of the portfolio.

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. We have options that cover roughly 62% from negative movement.

Soybeans



The funds are also short beans going into the spring, which is only the second time that this sector has done that in the past 10 years (2016).

With the soybean carryout now projected at 900 million bushels, the fundamental picture for beans is not promising. They have now put a top in and subsequently broken their uptrend. We have a target box where we want to rotate our short position to one similar to the corn, where we protect the downside with put options, but open the potential for a spring rally. Considering the heavy fundamentals, we are going to be aggressive on any buy-back strategy and target the bottom of the zone before making any moves.

Using round numbers, we are roughly 80% sold in Soybeans.

Wheat



The wheat markets absolutely fell out of bed, effectively leading the other markets lower. Fund selling has been heavy in this space as well, but that is much more common in the wheat pits. We were not well sold ahead of this latest break and we will be forced to be patient to make more sales.

Markets tend to retrace previous moves to relatively predictable levels. These Fibonacci retracement levels can be applied to all markets and we are looking at a rebound to levels which are above the last plateau.

With the entire growing season ahead of us for the Northern Hemisphere, we fully expect that a weather rally will bring the wheat market back up and we will be in a much better spot. We are now very lightly covered in the wheat market and expecting a solid recovery.



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Weekly Market Valuations

As of March 6, 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	\$4.0968
Pro Advantage-2019 Corn (1 yr)	12/2018 - 09/2019	Dec 2019	\$4.0110
Pro Advantage- 2019 Corn (2 yr)	12/2017 - 09/2019	Dec. 2019	\$4.1822
Pro Advantage- 2019 July Corn	12/2018 - 06/2019	Jul 2019	\$3.8318
Pro Advantage-2020 Soybeans (2 yr)	12/2018 - 09/2020	Nov 2020	\$9.6698
Pro Advantage- 2019 Soybeans (1 yr)	12/2018 - 09/2019	Nov 2019	\$9.4691
Pro Advantage- 2019 Soybeans (2 yr)	12/2017 - 09/2019	Nov 2019	\$9.4780
Pro Advantage- 2019 July Soybeans	12/2018 - 06/2019	Jul 2019	\$9.1650
Pro Advantage-2020 Spring Wheat (2 yr)	08/2018 - 08/2020	Sep 2020	NA
Pro Advantage- 2019 Spring Wheat (1 yr)	08/2018 - 08/2019	Sep 2019	\$5.6750
Pro Advantage- 2019 Spring Wheat (2 yr)	08/2017 - 08/2019	Sep 2019	\$6.2463
Pro Advantage-2020 HRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2020	\$5.0325
Pro Advantage-2019 HRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$4.5597
Pro Advantage-2019 HRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2019	\$4.3757
Pro Advantage-2020 SRW Wheat (2 yr)	08/2018 - 05/2020	Jul 2020	\$6.2889
Pro Advantage-2019 SRW Wheat (1 yr)	08/2018 - 05/2019	Jul 2019	\$4.8204
Pro Advantage-2019 SRW Wheat (2 yr)	08/2017 - 08/2019	Jul 2019	\$4.7879



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