



CHS PRO ADVANTAGE



Please visit our new website at <https://chshedging.com/clients/farmers-ranchers> for weekly marked-to-market price updates.

June 2020

Corn



This past month did not bring any significant outside influences into our agricultural space. There remains plenty of turmoil due to Covid-19, which has caused permanent damage to the demand side of the corn balance sheet, but the new domestic problems centered in the large cities should not impact our trading space.

There is not much new fundamentally either; the month was largely sideways and presented few opportunities. We are now in the weather window where every forecast becomes important and there is enough of the corn belt with limited rain lately that the dry conversation is starting. We see the potential for a rally, and we have identified the area that we think can be reached if all the pieces fall into place. Using round numbers, we see \$3.65 - \$3.85 as a sell zone for December corn. Using Fibonacci retracements from the entire move from top to bottom; that is what a normal market could be

expected to reach if it is only a 'bounce'; the points between the 38% retracement and the 62% retracement.

We can get there if two things happen; the USDA drops the June 30th stocks number by 400 million bushels (which is not unprecedented) and we have dry conditions here and abroad. Even if we only get one of those to happen, corn should be able to touch the bottom number.

All of our prices improved modestly this month on a combination of higher prices and time erosion on our short options positions. The July program will expire at the end of next week.

July 2020: \$3.6974 (70%), Dec 2020 1 year: \$3.5987 (66%), Dec 2020 2 year: \$3.8466 (75%), Dec 2021 2 year: \$3.7101 (12%). Prices noted are marked to market as of close of business June 15, 2020. Brackets are percent hedged snapshot including all option deltas, these are rough estimates and may move daily.

Soybeans



Soybeans are undervalued if you were to just look at the US balance sheet. Soybeans have a projected carryout (on this year's crop) of 395 million bushels and a 9.1% stocks/use ratio. There is the full growing season ahead and yet soybeans struggle to stay in the mid \$8 range. The problem is that there are other factors that effect price and the largest influence is one we spoke of in the past; the Brazilian Real.



As you can see, the real finally rallied for a few weeks; it is not coincidental that the US soybean price lifted off of its lows at the same time. These are very connected.

The other major influence is the relative

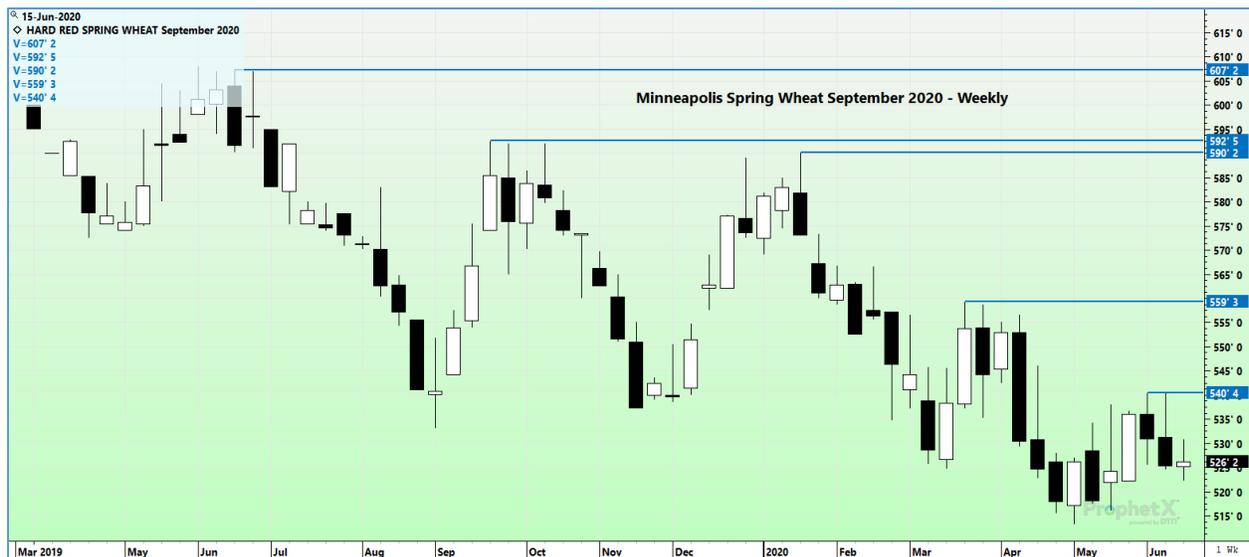
value to corn, but that is now in the background since planting is now behind us. The ratio is only a tradeable market feature before planting when farmers financial decisions are still fluid. During the growing season it can move around with less restraint as there is no way to change this season's outcome. We could see that ratio, which is now at 2.55 go significantly higher if there is an August weather problem for soybeans.

We are relatively well sold in the soybeans but have recently added calls to our portfolio in case this market wants to run higher. It is hard to build a bullish scenerio for corn, it is quite easy to build a bullish scenerio for beans.

July 2020: \$9.2492 (71%), Nov 2020 1 year: \$8.8501 (67%), Nov 2020 2 year: \$9.2492 (73%), Nov 2021 2 year: \$8.7375 (0%)

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Wheat



Wheat has struggled all year long. We highlight the Spring wheat in the chart above as it is the one with the most active programs left since we settled 2 of the 3 Winter wheat programs a few weeks ago. Notice that spring wheat has never exceeded a previous significant high since the beginning of the contract. We have had some modest bounces but nothing that could qualify as a rally. We have sold those bounces along the way, and we have a lead on the current futures by a decent amount, but it has been a frustrating commodity to trade.

We expect the wheat to be a bit of a dog for the summer as this commodity, above all others is a global product. It is grown everywhere, and it takes 2 major growing areas to have a production disaster to get the wheat going. This year we have none, and the outlook is for record global production. There is also an outlook for record global consumption, so there is yet hope for a demand story.

We have recently lightened up on being heavily hedged, but if a bounce does not come along soon, we may have to re-establish those hedges having made no real headway.

HRS 2020 1 year: \$5.4440 (35%), HRS 2020 2 year: \$5.72 (100%), HRS 2021 2 year: \$5.6625 (0%)

HRW 2020 1 year: \$4.6538 (Settled), HRW 2020 2 year: \$5.0193 (Settled), HRW 2021 2 year: \$5.0264 (33%)

SRW 2020 1 year: \$5.1686 (Settled), SRW 2020 2 year: \$6.4931 (Settled), SRW 2021 2 year: \$5.5138 (41%)

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Weekly Market Valuations

As of 06/16/20

Contract	Pricing Period	Futures Month	Current Market Valuation
Pro Advantage-2020 Corn (2 yr)	12/2018 - 09/2020	Dec 2020	\$ 3.8496
Pro Advantage-2020 Corn (1 yr)	01/2020 - 09/2020	Dec 2020	\$ 3.6018
Pro Advantage- 2021 Corn (2 yr)	01/2020 - 09/2021	Dec 2021	\$ 3.7123
Pro Advantage- 2020 July Corn	01/2020 - 06/2020	Jul 2020	\$ 3.6960
Pro Advantage-2020 Soybeans (2 yr)	12/2018 - 09/2020	Nov 2020	\$ 9.2373
Pro Advantage- 2020 Soybeans (1 yr)	01/2020 - 09/2020	Nov 2020	\$ 8.8369
Pro Advantage- 2021 Soybeans (2 yr)	01/2020 - 09/2021	Nov 2021	\$ 8.7225
Pro Advantage- 2020 July Soybeans	01/2020 - 06/2020	Jul 2020	\$ 9.0141
Pro Advantage-2020 Spring Wheat (2 yr)	08/2018 - 08/2020	Sep 2020	\$ 5.7188
Pro Advantage- 2020 Spring Wheat (1 yr)	01/2020 - 08/2020	Sep 2020	\$ 5.4424
Pro Advantage- 2021 Spring Wheat (2 yr)	01/2020 - 08/2021	Sep 2021	\$ 5.6600
Pro Advantage-2021 HRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 4.9857
Pro Advantage-2021 SRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 5.4756



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