



# CHS Pro Advantage



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

April 2021

Corn



The featured chart this month is December corn on a weekly basis. The horizontal lines drawn are Fibonacci Retracements. Basically, they calculate gradients that one might expect a pull-back in prices to reach. It is actually too early to draw these lines since we are not yet convinced that the highs are set, but we wanted to emphasize what that potential looked like. A 38% retracement is very normal in any market. That would drop the price of December corn down to \$4.60. If you want to see a good example of this type of move, the wheat charts at the end of this report show this phenomenon well.

From a fundamental standpoint, the USDA threw us a huge curveball with the acreage report last month. It was stunningly low for corn and beans and the market was not prepared for that. We were expecting more acres, not less and had to react by getting smaller and buying calls. The market will trade these acres until at least the actual planted acre report comes out in the end of June. That should keep the market from falling apart until then, but markets are volatile and that works in both directions, up and down. A logical spot for the new crop corn to find support would be



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between the 38% and the 50% retracement. We look for that window to open once the crop is in the ground and growing.

Our main purpose is to protect these good and profitable prices. Keep in mind that the net price you see on the last page of this report is the average price of every move we make. We must be 100% marketed by the end of our trading windows. It is a delicate balance of protecting what we have vs keeping opportunity open. Every month we continue to raise the price achieved and will continue to strive for higher prices.

For the old crop July program, we are roughly 75% sold, but also own 33% in call options. The December 21 programs are at 50% net sold between options and futures and we have waded into a 30% coverage level for the December 22 programs.

## Soybeans



November bean chart this week and like corn, we have superimposed a Fibonacci retracement ladder to highlight where we think a price decline could reach. It is actually too early to call the top, but we highlight the 38% retracement level of \$11.09 as a reachable target for any potential price reversal.

The old crop soybeans are in a tight condition and nothing will change that now. The Chinese have already been shipped the vast majority of their positions and the rest of the world will likely buy what they have committed to.



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New crop soybeans are still very much in flux. We suspect that there will be more soybeans planted than the USDA suggests, but we won't know that for some time. If the final number comes in under 90 million acres, the soybean situation will remain tight throughout next year, which means sustained high prices.

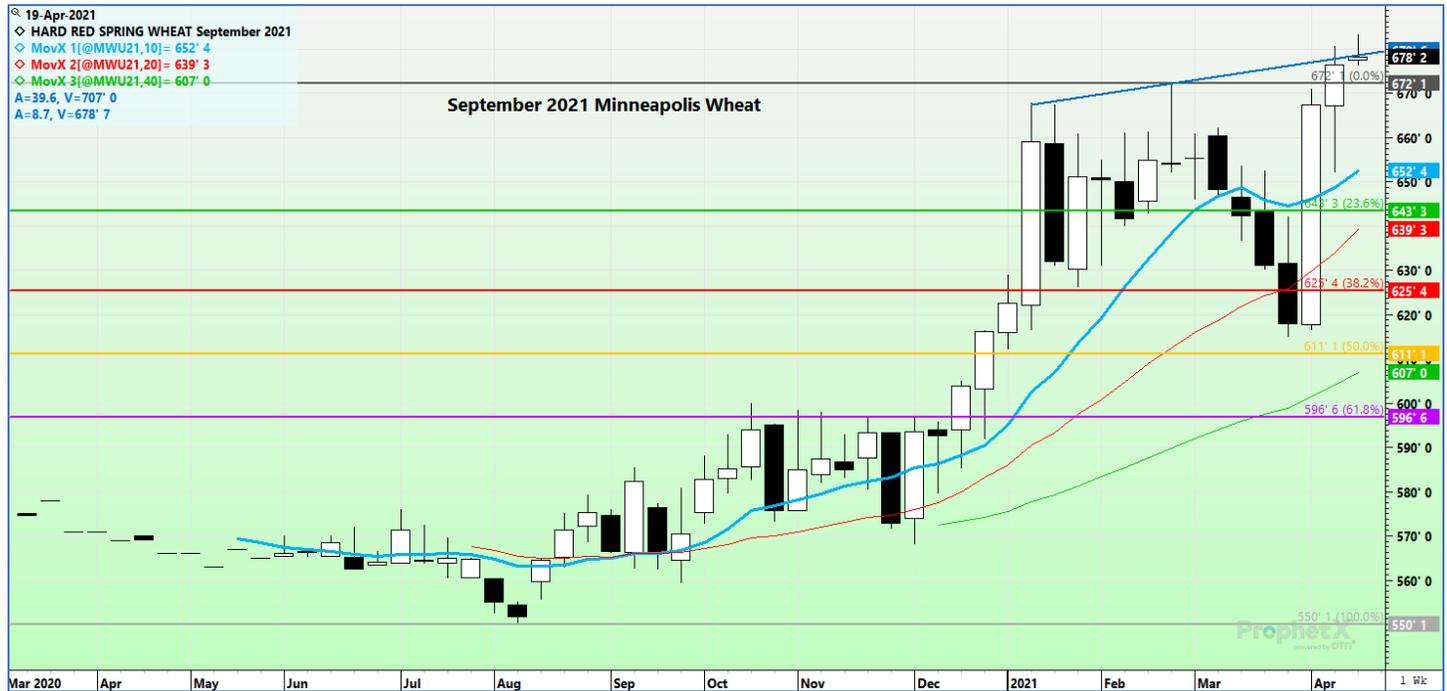
We have taken a similar outlook to beans as we have the corn. We want to protect the downside while keeping our opportunities open as much as possible.

For July beans we have established a minimum price floor. If the market continues to rise, we will drag up that floor. The price of the program will not advance 1:1 with the futures market, but it will advance.

For November bean programs we are using options to establish a floor on 75% of the bushels. As the price moves higher, we will raise that floor.

November 22 programs are roughly 25% priced.

## Wheat

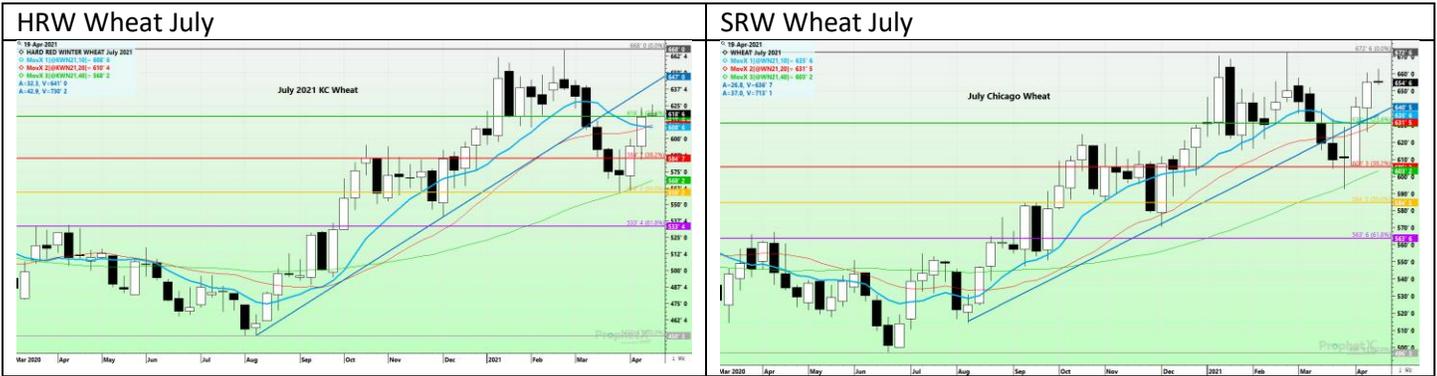




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This chart is of Minneapolis Spring wheat using the new crop September contract. We have been waiting for this rally and finally got it after a retracement down to the area between the 38% and the 50% levels. Spring wheat has a decent outlook fundamentally with less acres and dry conditions in North America.



The winter wheat contracts fell down to logical retracements as well and we took profits on futures and rotated to an options strategy similar to corn and beans, raising the floor as the price advances. This is working really well to add value to our bushels under management.

There is nothing great fundamentally in the winter wheat contracts other than their very close proximity to the value of corn, which should allow more bushels into the feed rations.

The spring wheat is a different story and we want to maintain a decent sized exposure to higher prices.

Summary: The percentage noted is a net delta including options.

2021 Programs:	2022 Programs
On HRS wheat, we are net 40% hedged.	On HRS wheat, we are net 30% hedged.
On HRW we are net 60% hedged.	On HRW we are 30% hedged.
On SRW we are net 60% hedged.	On SRW we are 30% hedged.



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### Weekly Market Valuations

As of 04/16/21

Contract	Pricing Period	Futures Month	Current Market Valuation
Pro Advantage -2022 Corn (2 yr)	12/2020 - 09/2022	Dec 2022	\$ 4.5388
Pro Advantage -2021 Corn (1 yr)	12/2020 - 09/2021	Dec 2021	\$ 4.6592
Pro Advantage - 2021 Corn (1yr)	09/2020 - 09/2021	Dec 2021	\$ 4.3485
Pro Advantage - 2021 Corn (2 yr)	01/2020 - 09/2021	Dec 2021	\$ 4.3862
Pro Advantage - 2022 Corn (2yr)	09/2020 - 09/2021	Dec 2022	\$ 4.4964
Pro Advantage - 2021 July Corn	12/2020 - 06/2021	Jul 2021	\$ 5.0132
Pro Advantage -2022 Soybeans (2 yr)	12/2020 - 09/2022	Nov 2022	\$ 11.4537
Pro Advantage - 2021 Soybeans (1 yr)	12/2020 - 09/2021	Nov 2021	\$ 12.0263
Pro Advantage - 2021 Soybeans (2 yr)	01/2020 - 09/2021	Nov 2021	\$ 10.4821
Pro Advantage - 2021 Soybeans (1yr)	09/2020 - 09/2021	Nov 2021	\$ 10.9795
Pro Advantage - 2022 Soybeans (2yr)	09/2020 - 09/2021	Nov 2022	\$ 11.4513
Pro Advantage - 2021 July Soybeans	12/2020 - 06/2021	Jul 2021	\$ 13.2751
Pro Advantage - 2020 Spring Wheat (2 yr)	12/2020 - 08/2022	Sep 2022	\$ 6.5818
Pro Advantage - 2020 Spring Wheat (1 yr)	12/2020 - 08/2021	Sep 2021	\$ 6.4918
Pro Advantage - 2021 Spring Wheat (2 yr)	01/2020 - 08/2021	Sep 2021	\$ 6.4413
Pro Advantage - 2022 HRW Wheat (2 yr)	09/2020 - 05/2022	Jul 2022	\$ 6.0319
Pro Advantage - 2021 HRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 5.7856
Pro Advantage - 2020 HRW Wheat (1 yr)	09/2020 - 05/2021	Jul 2021	\$ 6.5215
Pro Advantage - 2020 SRW Wheat (2 yr)	09/2020 - 05/2022	Jul 2022	\$ 6.2463
Pro Advantage - 2021 SRW Wheat (1 yr)	09/2020 - 05/2021	Jul 2021	\$ 6.4910
Pro Advantage - 2021 SRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 6.4133



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