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May 2021

Corn



With the highs evident after last week's precipitous drop, we can now legitimately draw Fibonacci lines to assess where value is on the corn. We have already touched the 23% retracement, but keep in mind it is fairly common to pull back to the 38% retracement (red line at \$5.88) on many rallies.

The corn market will be a full-blown weather market all summer long. In years past where we spent time above the \$4.50 mark, there are more months where corn has \$1.00 plus ranges than there are months where the range is less than \$0.50. There will be extreme volatility in both directions. Last week was a prime example. That was one of the largest 1-week price drops in corn history.

Last week the USDA gave us the first official look at the proposed balance sheet for new crop corn. They printed a 1.5-billion-bushel carryout based on a yield of 179.5, which is their calculated trend line yield but also a record yield. Their acres are low and that will become evident in the June 30th report. The largest rise of corn acres in history was in 2007 where the ultimate final number rose by 3 million. We could see that happening this year.

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We will agree with their yield for now at 179.5 so we could add roughly 450 million bushels to the US production if all goes well and end up with 15.4 bbu (USDA at 14.95). That would require basically ideal conditions all year long.

On the demand side of the balance sheet, we have some arguments with their lower feed number and lower export number. We can argue that both numbers are 200 mbu too low, which erases the extra production from the extra acres. Se we arrive again at about 1.5 billion carryout under ideal growing conditions. If there is any hiccup in the growing season, this market will light up again. Keep in mind that the Brazilian corn crop is getting much smaller and will not be a strong competitor on the corn export market this year.

For the old crop July program, we sold the calls and bought puts to cover 75%, there is one month to go in that program. The December 21 programs are roughly 50% net sold between options and futures and we have waded into a 30% coverage level for the December 22 programs.

Soybeans



July Beans featured this week. It is probably still too early to entertain a Fibonacci retracement since the soybean price action is not as toppy as the corn. If we can call last week's highs the top, the pullback one could logically expect would now be at roughly \$13.50. That is \$3.00 from the highs and a huge move, but that would not reverse this rally.

November beans, currently trading roughly \$14.00 would see a 38% figure of \$12.20.



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The USDA painted a fundamental picture for soybeans that was roughly expected from the market. The soybeans are basically at pipeline minimum in 2021 (120 mbu) and will continue in that state for 2022 (140 mbu). If there is any reduction in yield for the US, the prices are not high enough. It really is that simple. This is now a weather market and we will see severe moves, the most likely direction is higher, but as the Fibonacci numbers suggest, pull backs can and likely will happen along the way.

For July beans we stuck to our plan to raise the floor under the market by rolling up puts as the market advanced. That added 70-cents on our results this month and we have 100% of bushels covered this way.

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

November 22 programs are roughly 25% priced and more open to market fluctuations.

Wheat

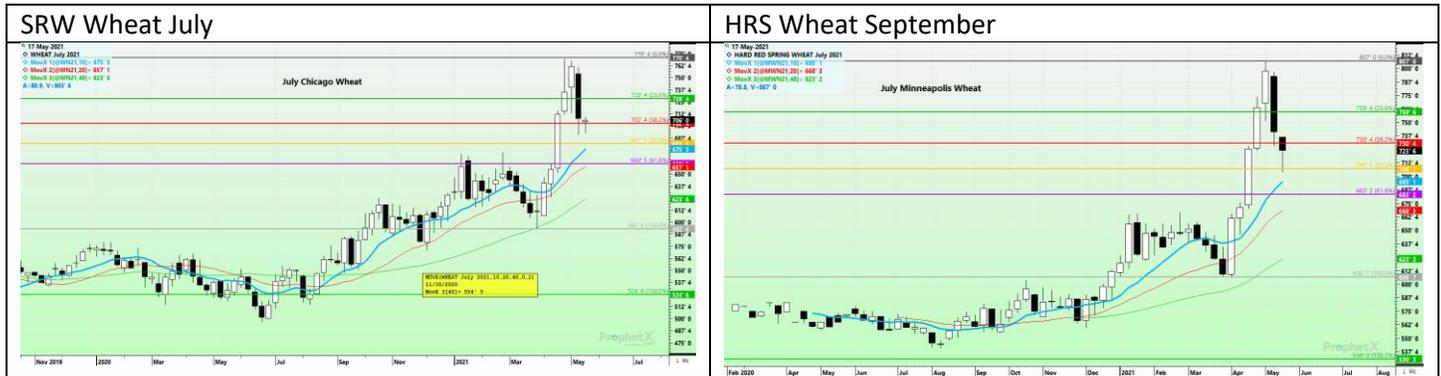




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The main chart is of July Kansas wheat. using the new crop September contract. Since our last report the market rallied hard and just last week pulled back to the 50% mark of that rally. Wheat tends to behave technically well.



Chicago wheat has touched the 38% mark and Minneapolis wheat; bounced off of the 50% line.

The winter wheat contracts expire soon, and we are 100% hedged with put options. If the market goes up, we will gain a few cents, if it goes down, we will lose virtually nothing (there is still some time value erosion, however).

There is no shortage of wheat in the world, but here in the US domestically, we are using more than we are producing. The carryout from 2019 was 1.03 billion bushels, this year it is 872 million bushels and next year is projected at 774. We think that the production of spring crops will be less than the USDA currently estimates as the White Wheat crop is in serious drought conditions and will have irrigation severely curtailed as reservoirs are low. Spring wheat has a drought centered right over North Dakota, but they are expecting rain this week, so the market is getting pounded. One rain won't fix the HRS crop and we think acres are far less than the USDA is proposing.

The spring wheat has a supply 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 HRW we are net 100% hedged. On SRW we are net 100% hedged.	On HRS wheat, we are net 30% hedged. On HRW we are 30% hedged. On SRW we are 30% hedged.



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Weekly Market Valuations As of 05/14/21

Contract	Pricing Period	Futures Month	Current Market Valuation
Pro Advantage -2022 Corn (2 yr)	12/2020 - 09/2022	Dec 2022	\$ 4.5479
Pro Advantage -2021 Corn (1 yr)	12/2020 - 09/2021	Dec 2021	\$ 4.6864
Pro Advantage - 2021 Corn (1yr)	09/2020 - 09/2021	Dec 2021	\$ 4.4555
Pro Advantage - 2021 Corn (2 yr)	01/2020 - 09/2021	Dec 2021	\$ 4.4860
Pro Advantage - 2022 Corn (2yr)	09/2020 - 09/2022	Dec 2022	\$ 4.5033
Pro Advantage - 2021 July Corn	12/2020 - 06/2021	Jul 2021	\$ 5.4611
Pro Advantage -2022 Soybeans (2 yr)	12/2020 - 09/2022	Nov 2022	\$ 12.1229
Pro Advantage - 2021 Soybeans (1 yr)	12/2020 - 09/2021	Nov 2021	\$ 12.6398
Pro Advantage - 2021 Soybeans (2 yr)	01/2020 - 09/2021	Nov 2021	\$ 11.2150
Pro Advantage - 2021 Soybeans (1yr)	09/2020 - 09/2021	Nov 2021	\$ 11.1525
Pro Advantage - 2022 Soybeans (2yr)	09/2020 - 09/2022	Nov 2022	\$ 12.1144
Pro Advantage - 2021 July Soybeans	12/2020 - 06/2021	Jul 2021	\$ 13.9948
Pro Advantage - 2020 Spring Wheat (2 yr)	12/2020 - 08/2022	Sep 2022	\$ 6.6795
Pro Advantage - 2020 Spring Wheat (1 yr)	12/2020 - 08/2021	Sep 2021	\$ 6.1976
Pro Advantage - 2021 Spring Wheat (2 yr)	01/2020 - 08/2021	Sep 2021	\$ 6.4736
Pro Advantage - 2022 HRW Wheat (2 yr)	09/2020 - 05/2022	Jul 2022	\$ 6.2234
Pro Advantage - 2021 HRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 5.8076
Pro Advantage - 2020 HRW Wheat (1 yr)	09/2020 - 05/2021	Jul 2021	\$ 6.3964
Pro Advantage - 2020 SRW Wheat (2 yr)	09/2020 - 05/2022	Jul 2022	\$ 6.4954
Pro Advantage - 2021 SRW Wheat (1 yr)	09/2020 - 05/2021	Jul 2021	\$ 6.5636
Pro Advantage - 2021 SRW Wheat (2 yr)	08/2019 - 05/2021	Jul 2021	\$ 6.4645



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