

## POET Market Manager Update (July 2018 Pricing Period) – Final Update

June 2018 will likely be remembered for a very long time in the grain trading world. Crop uncertainty and balance sheet implications are seen every year, but nobody trading the ag markets today was around the last time a Trade War was seen. We're not technically in a Trade War yet, but the markets did not wait around for the official announcement. The US/China trade spat dominated headlines in June and has continued to roil the grain markets, specifically for soybeans as they are on the list of retaliatory tariffs from China. July 6<sup>th</sup> marks the beginning of the first round of tariffs from both the US and China with no noticeable progress being made as of the beginning of July on resolving the issue.

Fundamentally, the US corn crop got off to a great start in June with record crop condition ratings. This alone would have likely weighed on values, but not to the degree that we have seen. It's still early, and there are sizable pockets of concern...primarily from too much rainfall across parts of IA, SD, and MN. Early July looks to continue the June trend of above normal temperatures while rainfall is forecasted to be less frequent. We have plenty of soil moisture, but the forecasted heat is worth watching. We still have a long ways to go before the crop is in the bin, but the market appears disinterested in adding any weather premium at this juncture.

The USDA released their much anticipated planted acreage/stocks report on June 29<sup>th</sup>. Planted corn acres increased by 1MM acres from the March Prospective Plantings report. Corn stocks were also larger than expected, coming in at 5.306B bushels as of June 1, which is 77MM bushels higher than the June stocks from last year. Both the stocks and acreage numbers were perceived as bearish, as it adds cushion to what was looking to be a much tighter corn balance sheet during the 18/19 crop year.

Attempting to place fair value on corn during a trade war is next to impossible, and unprecedented for grain traders to deal with. This is set to be a very rocky ride in the grain markets this summer, as traders not only have to assess crop potential but also implications to export demand for corn and soybeans due to the ongoing trade dispute. This is a very "headline driven" market as traders await news of ongoing trade talks, or lack thereof between the US and China. As indicated below, we finished out the July 2018 program with a final price of **\$3.98/bushel**.

% Marketed	If 100% Marketed Today	
	Average Price (1)	(2)
100%	\$ 3.98	\$ 3.98
(1) Includes mark-to-market gains/(losses) on all futures positions		
(1) Includes premiums collected/paid on open option positions		
(1) Includes gain/(losses) on all closed option positions		
(2) Assumes unpriced volume is priced at today's market close.		

