

POET Market Manager Update (July 2020 Pricing Period) – As of 8/31/19 – Program #7

July '20 Futures dropped sharply following the August 12th USDA report giving up 40 cents in just three days. The second half of the month, prices were virtually unchanged finishing at \$3.97. From the high in June, July '20 corn has fallen 80 ¾ cents.

The August USDA report did see a reduction in planted acreage...but not as much as many had expected. The USDA dropped planted acreage to 90 mln acres down from 91.7 mln previously. Comparing this acreage number to FSA data we believe that only minimal adjustments will be made to acreage going forward. There is at least potential for more sizable cuts in harvested acreage to still be seen. The USDA is currently estimating 91.1% of planted acres to be harvested. Every 1% decline in harvested acres equates to roughly 150 mln bushels of reduced production but we likely won't see meaningful adjustment in harvested acreage reflected until the November report.

More surprising was the 3.5 bpa upward adjustment in yield as they elevated the yield from 166 to 169.5 bpa. This was the first survey based yield estimate from the USDA so you have to keep in mind that there is a methodology change in this report compared to the July estimate. The July estimate is purely a statistical estimate based on planting progress and crop condition ratings. In September, we'll add in objective yield surveys which will further refine the methodology and likely accuracy of their estimates. Based on private yield surveys that have been seen it appears there could be some downside in the USDA number...but not as much as many might expect.

The current USDA carryout estimates show old crop carryout at 2.36 billion bushels and new crop at 2.181 billion. We believe that the old crop carryout will end up close to 2.5 billion bushels adding another 140 mln of cushion to the new crop balance sheet. If true, than the new crop carryout starting point could be slightly over 2.3 billion. From there, it's difficult to imagine enough of a production decline via harvested acres or yield, to result in a bullish story going forward.

We are currently 38% priced for program #7 at \$4.33 versus the July '20 board as shown below.

% Marketed	Average Price (1)		If 100% Marketed Today (2)	
38%	\$	4.33	\$	4.10
(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.				

