

POET Market Manager Update (December 2018 Pricing Period) – FINAL – Program #2

After rebounding from lows at the end of July, December corn again slid lower thru August as yield prospects improved for the US corn crop. The December contract finished August at \$3.65 which was over \$0.265 below the average price for the bushels in the program. We had hoped for an even better performance, but the plunge lower in prices spurred by the trade tariff issues eliminated the potential for one last push higher that could have easily developed based on new crop fundamentals.

The latest USDA report issued in August estimated the new crop carryout at 1.684 bln bushels with a national yield estimate of 178.4 bpa. With the weather we had early in July most would have thought a 178.4 bpa yield to be unachievable and a tighter carryout level could have spurred prices significantly.

We still view the new crop corn balance sheet as supportive to prices and believe that demand could outpace the USDA's current estimate leaving the carryout eventually in the 1.4 to 1.6 bln area. This of course assumes no significant late season change in yield forecasts. Such a carryout would put a lot of focus on South American production this winter and next spring.

We view the corn market positively going forward but it also faces significant headwinds from an oversupplied soybean balance sheet. Demand led markets, which we anticipate developing, take time to play out which could leave corn prices trading in a sideways pattern thru harvest.

The final price for program #2 was established at \$3.9158 versus the Dec '18 board as shown below.

% Marketed	If 100% Marketed Today	
	Average Price (1)	(2)
100%	\$ 3.9158	\$ 3.9158
(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.		

