POET grain

POET Market Manager Update (July 2018 Pricing Period) – As of 5/31/18 – Program #1

World weather concerns and trade negotiations continued to dominate the grain markets in May. It's been a difficult balance for traders to assess growing world weather worries - specifically with Brazil's Safrinha crop, with President Trump's trade negotiations with China and what that means for demand for U.S. agricultural products going forward. July corn futures reached new highs for the move – trading at $4.12 ¼ before backing off to close the month at $3.93 ½.

On the weather front, conditions in Brazil continue to deteriorate as moisture deficits remain very concerning. The USDA estimated total Brazilian corn production at 87MMTs in May's WASDE report, but conditions have worsened since then which has several private analysts estimating the crop at 78-82MMTs. Even at the high end of the private analyst estimates, it would mean a reduction in Brazilian production of 200MM bushels. Given the issues already experienced in Argentina this year, this places even more pressure on US production to be at/above trendline this year. World demand for corn continues to remain very robust as well, so South American production losses likely result in a direct increase in U.S. exports.

The Trump administration has continued trade negotiations with China as they try to narrow the massive trade deficit which totals over $300 billion. China's initial stance has been to threaten the U.S. with tariffs of their own, which included agricultural products (specifically soybeans). As negotiations progressed, however, rumors surfaced that China was considering buying more U.S. agricultural products, to the tune of an additional $25 billion. Simply put, this would be a very big deal as China's total import value of U.S. agricultural products today totals $20 billion, so essentially would be more than doubling what they are currently taking in total U.S. dollars. China has been very aggressive at depleting their state corn reserves in recent years, so talk that they would begin to import U.S. corn again isn't entirely out of the question and needs to be monitored closely.

As indicated below, we're 90% sold on the July '18 program at an average price of $4.07/bushel.

% Marketed	Average Price (1)	If 100% Marketed Today (2)
90%	$ 4.07	$ 4.06
(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.