

POET Market Manager Update (July 2019 Pricing Period) – As of 8/31/18 – Program #5

After rebounding from lows at the end of July, July corn again slid lower thru August as yield prospects improved for the US corn crop. The July '19 contract finished August at \$3.905 which was 8.5 cents below the current price for the bushels in the program. The June plunge lower in prices spurred by the trade tariff issues eliminated the potential for one last summertime 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.

We are currently 40% priced at an average of \$3.99 for program #4 versus the July '19 board as shown below.

| % Marketed | If 100% Marketed Today | |
|---|------------------------|---------|
| | Average Price (1) | (2) |
| 39% | \$ 3.99 | \$ 3.94 |
| (1) Includes mark-to-market gains/(losses) on all futures positions | | |
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| (2) Assumes unpriced volume is priced at today's market close. | | |

