

POET Market Manager Update (July 2022 Pricing Period) – As of 5/31/2021 – Program #13

Volatility continued to be the theme during May – with July '22 corn futures trading in a \$1.26/bushel range. While prices achieved a new contract high of \$6.36/bu, weakness late in the month had the July contract ultimately settling \$.16/bu lower for the month. The lower close during May broke a 6-month streak of higher monthly closes for the July contract.

Estimates for Brazil's second season corn crop continue to try to find a bottom. As of this writing, analysts seem to be settling in on a total Brazilian crop of 90-95MMT, which is approximately 14-19MMT (550-750MM bushels) lower than the USDA's February estimate.

More than 90% of the 21/22 corn crop had been seeded as of the end of May, which is slightly above the 5-year average for this date and in-line with last year's planting pace. There will certainly be extra scrutiny on weather this year, especially with a large portion of the Dakotas, Iowa, and Minnesota already in a moderate drought.

On the demand side of the equation, China has shifted their focus to new crop corn imports. China has already booked 423MM bushels of new crop corn from the U.S. In total, new crop export sales are 579MM bushels – nearly 3x the prior high for new crop sales at this point of the marketing year.

We are currently 22% priced for program #13 at \$4.09 versus the July '22 CBOT. Accounting for additional accumulator contracts that are currently on the books, we should be near 52.8% priced at \$4.68. If the remaining bushels were priced at the end of month \$5.5475 price the program would be at \$5.09.

The \$4.09 price above declined 50 cents from the end of April reflecting the purchase of Long Call options against current sold positions. The decline in value is exaggerated as we purchased upside protection on roughly 35% of program bushels but allocated the cost across just 22% of the program bushels.

