



Decent time to price some old crop

CORN

Decent time to price some old crop, careful holding beans past Aug

BEANS

Give us a call at 815-539-1089 if you would like to know more about some of our pricing strategies

What's the cash market telling us to do?

Corn: Old crop corn carry has come to the end of its benefit. Basis has appreciated as the Eastern users are having trouble originating corn and farmers are tight holders against their inability to get the crop planted. We expect corn basis to remain supported and spreads to remain narrow with no benefit to carrying corn past summer. Even with tight new crop supplies coming at us, net basis gains above and beyond the cost of interest just don't cut the mustard. Move corn on basis contract and use the advance for cash flow. Hold tight on new crop, it feels as if harvest basis levels could continue to improve. Expect new crop spreads to remain narrow and not offer much carry. Basis levels could get interesting next year as we deal with a short crop.

Soybeans: Bean basis has benefited from high water levels on the Mississippi. Empty barges are hard to come by on the IL River and the Mississippi is flooded still. This is keeping the bean pipeline somewhat thin and causing basis to appreciate. Use this opportunity to move beans. We still have plenty of bean supply and as the rivers come down to more normal levels, we think beans will move and basis levels will cheapen back up. We don't see a benefit in carrying beans through harvest and into next year. Move them and use the cash. New crop basis levels aren't too exciting and we expect this to continue until a short crop is confirmed. Even then, we have plenty of supply to survive.



Newsletter

July 15, 2019

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Pro-Partners Viewpoint

The market continues to have an element of volatility to it that we have not seen in several years. Between the record late planting, record wet spring, and concerns building on weather the next few weeks, we feel the market may be just getting warmed up. Before we get too far ahead of ourselves, I want to remind everyone that the rally we are seeing and may continue to see is a supply driven rally in the case of corn. Meaning the price is responding to anticipated shortfalls in supply as opposed to new demand that the production side needs to accommodate. Unlike demand driven rallies like the one we saw from 2007 to 2013, supply driven rallies are much shorter and typically do not last beyond the crop year in which we are having the production issue. We are very keen to the potential we could see in corn values in the coming months, but unless we see substantial production issues in South America this coming winter and spring, the potential will be measured in months not years. Even in soybeans where we have a burdensome supply glut on the market right now, the production leading into this fall is extremely suspect and could change the price outlook sharply for a short period of time.

The USDA came out with their July WASDE report this past Thursday which was a complete punt of numbers into August for the most part. (a small exception for wheat) The WAOB and USDA took no stance other than to mention in the comments of their report that the production outlook this year for corn and soybeans still have substantial risk. The cash markets are screaming that we have an issue as well as inverted new crop spreads to 2020. However, the USDA decided to run with June survey acres which were intentions, not planted acres, and only modestly adjusted yield. What we found most interesting was that despite a report that was bearish on paper the market responded with buying essentially saying that the dated survey data and USDA's unwillingness to address fundamental issues until August were not grounded in the reality of what the market faces.

In the past 2 weeks we have done very little by way of adding new positions to corn, soybeans, and wheat. Essentially all we have done was sold our first 20% of soybeans in the winter and summer 2020 periods. We remain 60% sold in all corn positions except the 2 year 2020 fall where we are 20% sold. Against all corn sales we have short term calls bought to capture upside. In the last 2 days these corn calls have essentially rebounded to the level we bought them for to start with. If the market were to continue higher from here we would be adding premium to all corn positions. Given the hot/dry 2 week forecast for a large portion of the central corn belt our bias is that the short term direction for all 3 commodities is higher. December corn is 14c away from a contract high and November beans are 40c away from a crop year high. We feel both of these levels are achievable in the coming 3-4 weeks. The strength in wheat is coming from overseas production cuts on top of added feed wheat demand due to higher corn prices.

In a typical year it is not wise to have a large percentage of your new crop production to price entering August/September. This is typically when the crop becomes known and often times is adequate for supplying the upcoming crop year. Exceptions to this seasonal timeframe are extreme production shortfall years like drought years and perhaps the year we are in the middle of right now. Do not run and hide from this market in the coming couple months. This is precisely the time to be executing your plan for this year and getting a jump on next year.

John Stewart & Associates



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Market Link Program Results

| 2019 Average Price | | |
|--------------------|------------|-------|
| Corn | 95% Priced | 4.055 |
| Beans | 95% Priced | 9.01 |

| 2019 Pro Partners | | |
|-------------------|-----------------------------|------|
| Corn | 60% Priced (calls attached) | 4.35 |
| Beans | 20% Priced | 9.18 |

| 2019 2 yr Pro Partners (signup Jan 2018) | | |
|--|-----------------------------|------|
| Corn | 60% Priced (calls attached) | 4.37 |
| Beans | 20% Priced | 9.99 |

| 2019 Pre Plan | | |
|---------------|------------|------|
| Corn | 23% priced | 4.47 |
| Beans | 30% priced | 9.11 |

| 2019 2 yr Pre Plan (signup Jan 2018) | | |
|--------------------------------------|------------|------|
| Corn | 23% Priced | 4.47 |
| Beans | 30% Priced | 9.11 |



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Market Link Program Results

| 2020 2 yr Pro Partners (signup Jan 2019) | | |
|--|------------|------|
| Corn | 20% Priced | 4.10 |
| Beans | 0% Priced | 0 |

| 2020 2 yr Pre Plan (signup Jan 2019) | | |
|--------------------------------------|-----------|-----|
| Corn | 0% Priced | n/a |
| Beans | 0% Priced | n/a |