

POET Market Manager Update (July 2022 Pricing Period) – As of 1/31/2022 – Program #13

July '22 Futures gained 25 ¼ cents in January following a 22 ¼ cent gain in December. July futures finished January at \$6.19 ¼ which is the highest month end settlement that we've seen on the contract. At the end of January, the contract was just 17 ½ cents below the life of contract high seen in May '21.

The USDA's January Supply and Demand report saw an uptick in the carryout estimate to 1.54 billion bushels compared to the prior estimate of 1.493 billion. Total production was increased by 53 mln bushels on a 300,000 acre increase to harvested acres. The demand side of the balance sheet saw only a small 5 mln bushel increase with corn for ethanol increased by 75 mln while exports were decreased by the same amount.

The soybean balance sheet also saw very little for changes with the carryout increased by a modest 10 mln bushels from 340 mln up to 350 mln. While the USDA balance sheets did not show anything that warranted a bullish move in the market there were a variety of other factors helping to drive the market.

First, an ongoing drought across Argentina and Southern Brazil has resulted in steady declines in production estimates. It's possible to likely that the market may be factoring in a worst case scenario at this point but we can't rule out a further run in price related to South American production.

Second, the Russia/Ukraine situation continues to get highlighted as a risk to the markets...but the wheat market is not telling us that there is a problem with July wheat trading nearly \$1.00 off of the November highs. Again, the situation bears watching but does not appear to be a driving factor today.

Finally, commodity strength as a whole as a result of inflation hedging also appears to be contributing to the market strength. With more and more talk of interest rate hikes coming this year I have to wonder if or when the market may start to bank some profits.

We are currently 81% priced for program #13 at \$5.15 versus the July '22 CBOT.

With existing open accumulator positions we have the potential to be 100% priced at \$5.24

