INSIDE THIS ISSUE:

POET grain

"WHERE FARMERS FUEL AMERICA"

PUBLICATION #32

FEB/MAR, 2021

The Domino Effect

Like I have done so many times, I made a commodity trade with my broker and sent a check in the mail to cover the option cost that day. A few days later, I made an additional trade and sent another check the same day. At that point, I did not think again about it…until.

About a week later, the broker called me asking if I had sent a check. I said I had sent two, each on the day the trades were made. I was informed that after 3 days, I was getting charged $15/day for not having margin covered. I asked if I could wire the money. I was told no, as there is an application that takes time to process; besides, those people were working remotely and not very responsive to requests. We both decided that I needed to send another check overnight through the post office.

I hit the post office on a Thursday and requested to overnight a letter. I did not ask how much it was, since I had no other options. They told me that they would only guarantee it got delivered by Saturday, but all the overnights had been getting there the next day without issue. I said, ok, and about choked on a $26 overnight charge. In passing I mentioned that I wouldn't have to be doing this if the first 2 letters, mailed on different days, wouldn't have gotten lost in the mail through this post office. The postal worker just said, "we'll if you want to make sure mail gets delivered, this is what you need to do". Even the post office has no confidence in the post office.

The envelop was delivered not Friday, but Saturday and the brokerage was closed on Saturday. President's day was Monday, so neither were open on Monday, so now I've been charged another 5 days of margin penalties, or $75. Not only that, but the check I overnighted just covered what I thought I owed plus a bit of cushion…cushion that was now gone and I'd still be in the hole about $30.

I called the broker and after some begging, they agreed to credit me a commission fee to get my balance to the positive and I'd send them another check to cover. This time I sent it from a different post office and it was there in two days.

So, now I have two sizeable checks lost in the mail somewhere. So, the safe thing to do is to put a stop pay on those checks. The bank informed me that it would cost me $34.50 per check to stop pay that would only be in effect for 6 months, so if the check was cashed by someone after 6 months, it was still going to be a problem. After a bit of discussion about how it was just as easy to stop payment on two checks as one, no harder than it would be to move my checking & savings account elsewhere, we split the difference.

So, I spent $27.50 in postage, $34.50 to stop payments, and $90 for margin penalties, a total of $152, not to mention a half day of running around. I learned that nobody I was doing business with was looking out after my best interest, and I guess, why should they?

In my mind, the post office was at fault, but we all know Government is not responsible for any shortcomings. It wasn't the broker's problem. It was mine. In my mind, the bank was trying to take advantage of my problem, but actually, I created a potential problem for them as well. In my mind, the broker should have worked with me knowing the checks were lost, but they were letting me use their money and had recommended ACH months ago. Had I simply completed the ACH forms, the whole thing would have been avoided.

Since, I have completed the ACH forms. Not only that, but I will be using auto pay for all of my recurring bills to avoid the post office entirely and I'm reconsidering how I do business with many vendors.

The lesson learned here is that if you put yourself in a position that requires things to be done timely, or done correctly by others, who don't specifically care about your interests, or you assume that something you've done over and over remains good enough as it's always worked before, you may well find yourself in a similar situation someday, and it will likely cost you more than $152.

The Domino effect is real and it compounds, adding insult to injury. Take time to care for the small things that can make that first domino fall and make sure you don't have too many dominos lined up too close together.

An unattended slow tire leak results in a flat tire that results in a ruined tire that results in a new set having to be bought as that tire is not made anymore that results in waiting 2 hours for new tires to be put on that results in having to move your scheduled tax appointment out two more weeks that results in needing to do a late filing fee that results another tax preparer fee that results in a delayed tax refund and now the furniture sale is over and you're left sitting on the floor since you spent your furniture money on new tires. Who would have thought a slow tire leak would keep you from buying a new couch? But, it happens every day if you take the time to trace back through the events that got you there. And such goes life, for some more than others. If you find yourself frustrated frequently and it seems bad luck follows you, maybe you just need to sign up for Poet Grain's ACH or fix your leaky tire.

Jul/Sep Historical Spreads

Here's what you need to remember about futures spreads. When futures are inverted, it encourages basis traders to get rid of ALL their corn prior to rolling hedged corn forward. The above chart says that July futures are currently 50 cents higher than September. When a hedger rolls, he is buying high and selling low. The only way he comes out on the future roll is if basis was 0 when he bought it and now basis is worth +50. Here's the math.

July Future = $5.00	September futures = $4.50			
Hedger buys $5.00	Hedger sells	$4.50	=	-$.50
Basis bought $ .00	Basis needed to sell	$ .50	=	$.50
	Net Gain			$.00

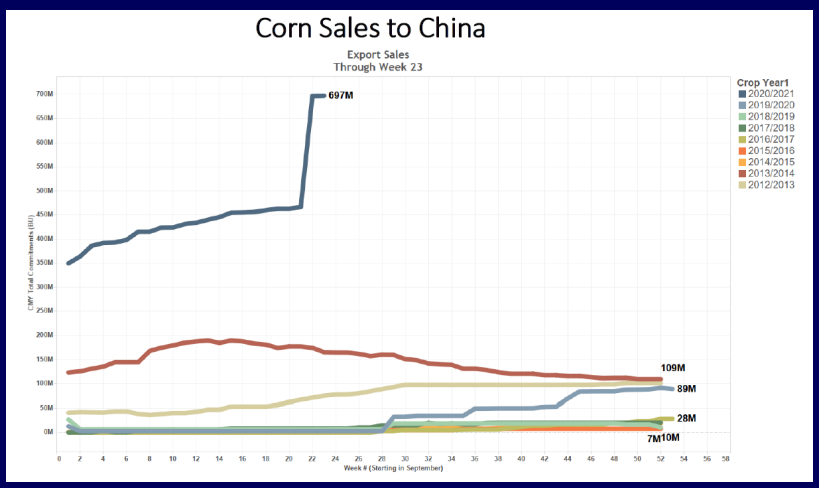
So, you lose $.50 on the spread trade on day one and you have to be able to sell the grain for $.50 more basis, or you lose. What tends to happen is that end users will cover this basis spread at some point because they have to have corn to grind, but as soon as the first end user is covered, basis will erode and your flat price with it. It's just a matter of when. Only the daring will carry unpriced corn into summer.

What is the Outlier?

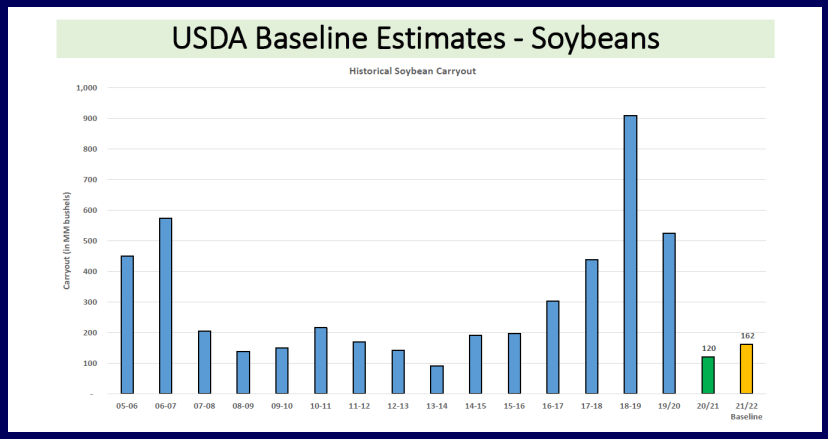
"WHERE FARMERS FUEL AMERICA"

Last year when carry outs were projected to be over 3 billion bushels, many thought that prices could only go down. But, when you looked at a chart of historical carry outs, the 3 billion stuck out like a sore thumb. It was the outlier, and as most outliers are, they usually don't last very long as it takes special and unusual circumstances for them to occur.

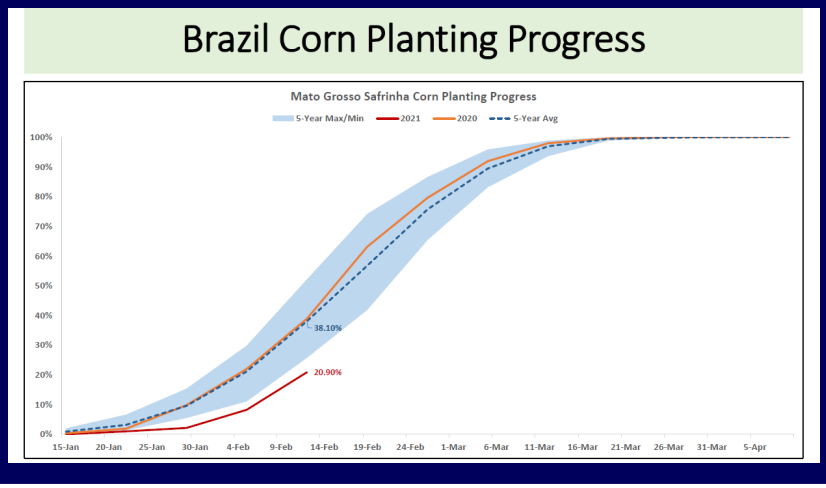
What are the outliers in 2021, or are there any? Should we be worried about them?



This looks like an outlier, unless you think it's the new normal. While it may be why we have high prices today, unless it's the new normal, it doesn't support prices next year.



The low carry out looks very normal compared to years past. The outlier was the big carryout the last 2 years. Beans look to be on very solid footing.



Brazil corn planting pace is a bit of an outlier. It's been too wet. How good of a crop have you grown when corn gets planted in wet conditions?

New Crop Beans

1/15/21—Kicked out of accumulator 2% @ $13.66

2/5/21 - Courage calls bought $16.00 @ .18 on 100% of avg. production

New Crop Corn

1/15/21—Enrolled 10% accumulator @ $4.97

2/3-5—Courage call bought $6.00 @ .11 on 50% of avg. production

Targeting mid spring to late June on any planting delays to start pricing new crop. 20/21 carryout first projections is 1.555. We should see new crop futures gain on old crop futures as we move forward.

I will enroll in accumulators first if the accumulation levels approach call strikes. I will use the remainder feature to insure I get priced should futures fall drastically later this summer. 15% on corn and 30% on beans.

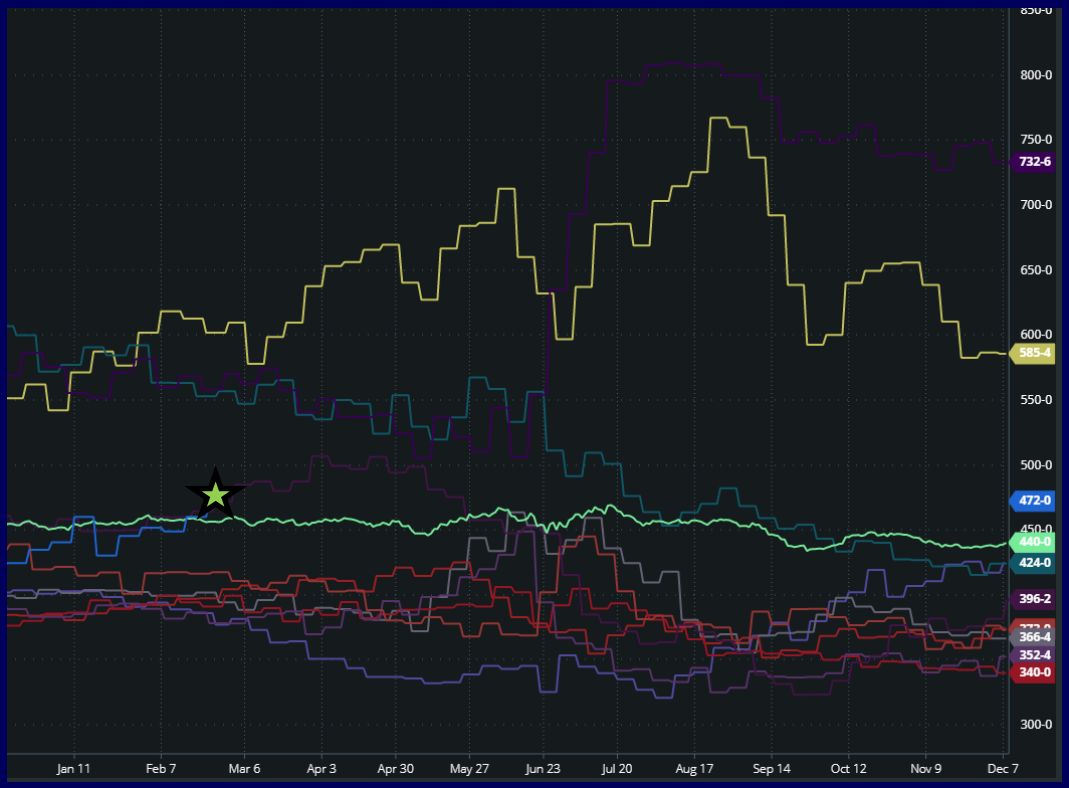
Flat sales will be second, should futures move higher than accumulator levels enrolled in. 15% on corn and 30% on beans.

Out of the money puts will be used last to cover the rest of production as more is known. How many I buy would depend on the strike versus the insurance guarantee price.

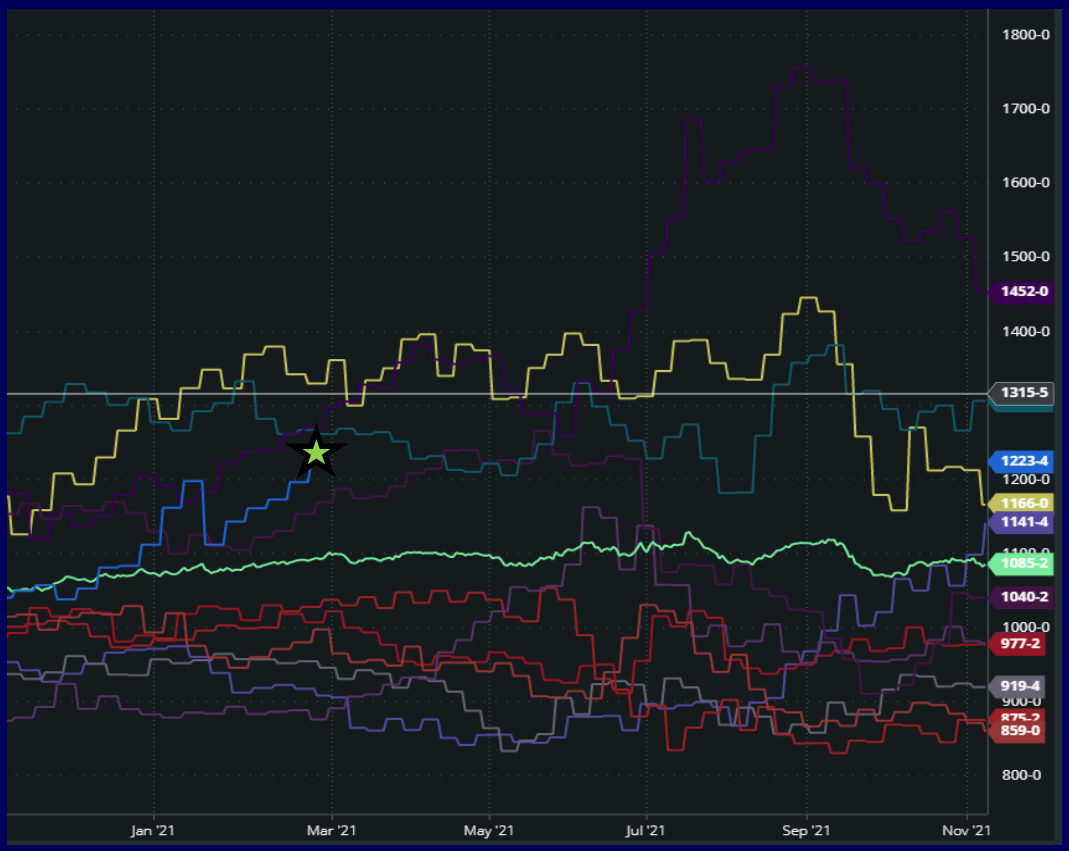
Insurance guarantees are currently averaging $4.62 and $11.79.

Perspective

"WHERE FARMERS FUEL AMERICA"



New Crop Corn and Bean Prices Since 2012



Crappie Fishing Trip

"WHERE FARMERS FUEL AMERICA"

On the page that follows, we are asking for EPA comments to be made in support of E15. If you will take the time to comment using the link and send me notification that you made a comment, I will put you in a drawing for a morning or evening crappie fishing trip to a local lake of your choice: Hazel Creek, Long Branch, Thomas Hill, or Mark Twain.

If you like to fish and can talk corn & ethanol while fishing, you can also drop me an email. I will have a limited schedule of "fishing meetings" available this spring and summer. All you'll have to do is show up.

WE NEED YOUR HELP AGAIN!

"WHERE FARMERS FUEL AMERICA"

Ethanol Supporters & Corn Growers:

As you may have heard, EPA is considering changes to the E15 fuel dispenser label requirements and infrastructure compatibility. These changes could help move more gallons of E15, which is why we need your help today.

EPA is looking for feedback as they consider updating their label requirement for every E15 fuel dispenser across the country. The proposal could also modify underground storage tank regulations to accommodate safe storage of E15 and higher gasoline-bioethanol blends at retail stations' existing tank systems. As you can imagine, it's been an uphill fight just to get EPA to consider these changes.

The current pump label is unnecessarily alarmist and confusing. Rather than help consumers, it actually inhibit sales of higher blends of bioethanol, preventing the growth of markets for biofuels. Increasing sales of biofuels could provide an economic lifeline for rural communities and ensure more motorists can enjoy cleaner, more affordable fuel options like E15.

Please join me in submitting your comments to the EPA in support of updating the onerous labeling elements and infrastructure barriers by the April 19 deadline and encourage your friends and family to do the same.

Tell EPA to fix labeling and remove infrastructure barriers to E15 (p2a.co)

We will continue to keep you notified of policy updates.

Thank you for your continued support.

Sincerely,

Josh

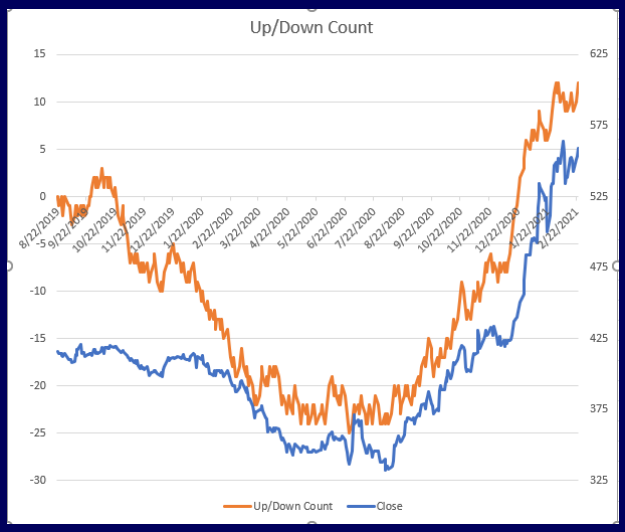
Joshua Shields
Senior Vice President of Government Affairs & Communications
POET

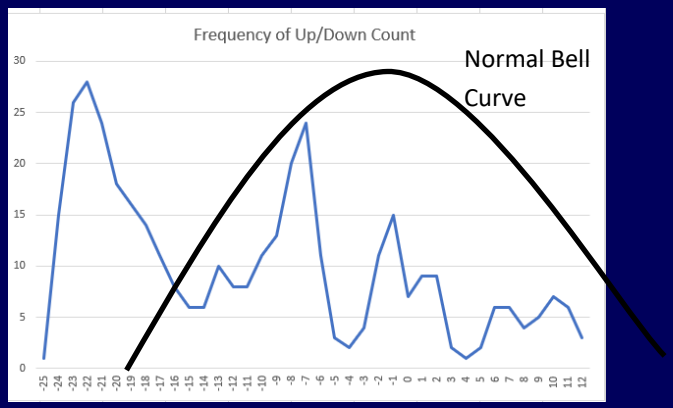
The UP/DOWN Count

"WHERE FARMERS FUEL AMERICA"

I have written in past about using my simple up/down count as a predicter of market direction. It goes something like this. For every buyer, there is a seller and vise versa. Speculators make money by entering a position and then exiting. Hedgers offset risk by taking the opposite position. Predicting this timing is very much like flipping a coin when there are only 2 outcomes, heads or tails, or you could say, up or down. Statistically, if you flip a coin forever, the random outcome will end up 50/50. If you flip a coin and it continues to come up heads, the odds of it being tails next time is ever increasing. The same, "loosely" applies to grain markets. The more days it goes up, odds are also increasing that it will come down, as it's similar to flipping heads time after time. It is supply and demand fighting for balance, heads versus tails…

You can see the up/down count "loosely" follows price. Usually, if you chart the frequency of the up/down count, you end up with a bell shape like curve, meaning that the more days prices goes one direction versus another, the harder it becomes to sustain . This year, the curve looks nothing like a bell shape and I can only explain it by the sudden and artificial suspension and government control of the normal supply & demand tug of war via Covid-19 and our China policy. Prices were artificially suppressed for weeks as evident by extreme down counts that lasted for weeks. However, the current up counts are looking more normal, struggling to put together more days of ups than downs, and that is not a good sign in the short term.





County Yield Data

"WHERE FARMERS FUEL AMERICA"

County	Yield	Acres	Total
Adair	176	18,600	3,275,460
Audrain	178	106,400	18,949,840
Chariton	175	70,400	12,305,920
Knox	168	53,900	9,076,760
Lewis	169	66,900	11,306,100
Linn	169	35,300	5,976,290
Livingston	173	33,900	5,851,140
Macon	164	39,900	6,535,620
Monroe	165	56,600	9,344,660
Marion	170	51,900	8,838,570
Randolph	155	24,400	3,779,560
Schuyler	180	15,000	2,692,500
Shelby	174	50,500	8,781,950
Sullivan	152	17,000	2,575,500
USDA Simple Avg	169	640,700	109,289,870
USDA Weighted Avg	171		
Poet Estimate	176		
Variance	5		

	Beans
Adair	48
Audrain	54
Chariton	51
Knox	46
Lewis	49
Linn	48
Livingston	52
Macon	49
Monroe	50
Marion	50
Randolph	44
Schuyler	39
Shelby	49
Sullivan	41
USDA County Avg	48

MO is a terrible State for reporting county data consistently and accurately. They often lump multiple counties together into a category called "other counties". It makes it impossible to draw any local year to year comparisons. It makes us compare our Poet yield to a different group of counties each year. This year we were roughly 5 bushels per acre higher than USDA.

Macon County was the biggest surprise. We expected better. We were not surprised by Randolph and south.

"WHERE FARMERS
FUEL AMERICA"

Seeds of Change – Hope Grow Breathe